

World news

Business summary

Threat of lockout to Swedish strikers

Sweden's white-collar government workers' union, which has disrupted the country's air and rail networks in a day-old selective strike, faces a lockout if it does not return to work by noon today. A government negotiating board will announce details of a lockout that will affect 100,000 union members, aimed at forcing an early settlement of the strike.

Beagle treaty ratified

The Chilean and Argentine foreign ministers exchanged instruments of ratification putting into effect a Vatican-mediated treaty ending the century-old Beagle Channel dispute.

Police story 'false'

South African police claimed to have completely fabricated a story of how they shot dead 20 marchers near the town of Uitenhage, a lawyer for the victims' families told an official inquiry.

Soldier 'shot Aquino'

Philippines: opposition leader Benigno Aquino was shot by a uniformed soldier as he left his aircraft at Manila airport, an eyewitness dubbed "the crying lady" testified.

Iran elections

Iran will hold presidential elections before July 22, the interior ministry said.

Gulf tankers hit

A Philippines merchant was killed and three injured when an Iranian speedboat hit the tanker off the Gulf. A Japanese tanker was also hit.

Nigerian exodus

Nigeria's land borders, closed for a year, will be reopened today to let out 100,000 illegal aliens told to leave the country.

Israeli 'N-missiles'

Israel has deployed several undeveloped missiles in the Negev Desert and the Golan Heights, the Washington-based newsletter Aerospace Daily reported.

Rebels 'kill 24'

Afghan rebels blew up one of their arms dumps in Pakistan, killing about 24 Soviet and Afghan captives who had seized it.

Brussels bomb scare

Police evacuated the French embassy and several other buildings in central Brussels in a bomb scare after Wednesday's car bomb which killed two Frenchmen.

Spanish resort blasts

Spanish police combed popular Mediterranean beaches in search of bombs after two blasts which appeared to signal the start of a threatened campaign against tourists by Basque Euzko guerrillas.

Rightists sentenced

Rune court passed sentences ranging from 18 months to more than 20 years on 53 members of right-wing extremist group charged with a series of murders and robberies.

Extradition ordered

A U.S. magistrate ordered 85-year-old alleged Nazi war criminal Andrija Artukovic to be extradited to Yugoslavia, where he is accused of being involved in the murder of more than 6,000 civilians.

British jobless at record in April

UNEMPLOYMENT in Britain jumped to a record level in April, causing dismay among ministers. The seasonally adjusted total rose by 29,200, the largest monthly increase for two years, to 3,177m - 13.1 per cent of the workforce.

DOLLAR remained firm in London, rising to DM 3.175 (DM 3.1475). Swiss 2.86 (SwFr 2.6375). FF 9.525 (FFr 9.50) and Y252.85 (Y252.75). On Bank of England figures the dollar's index rose from 148.0 to 148.4. In New York it closed at FF 9.6850, SwFr 2.8655, DM 3.1750 and Y252.85. Page 41

STERLING lost 20 points against the dollar in London to finish at \$1.215. It also eased to Y308.5 (DM 3.85), SwFr 3.2375 (SwFr 3.20) and FF 11.75 (FFr 11.71). The pound's exchange index was unchanged at 71.7. In New York it closed at \$1.2173. Page 41

LONDON equities advanced but little interest was shown in gilts. The FT Ordinary share index added 11.5 to 989.9. Section III

WALL STREET: The Dow Jones industrial average closed 0.22 up at 1,242.7. Section III

TOKYO shares were slightly lower, discouraged by Wall Street's overnight performance. The Nikkei-Dow market average lost 4.86 to 12,451.79. Section III

GOLD rose \$2.50 an ounce on the London bullion market to close at \$314.25. It lost ground in Zurich to \$313.15. In New York the Comex June settlement was \$316.30. Page 40

U.S. MONEY SUPPLY: M1 rose by \$2.7bn to a seasonally adjusted \$764.2bn in the week ended April 22 1985.

GENERAL DYNAMICS, U.S. defence contractor, lifted net profits in the first quarter by \$15.2m to \$62.7m on sales up to \$2.01bn from \$1.96bn.

SELENIA, the Italian state-owned maker of radar, missiles and other electronic equipment, reported a 37 per cent rise in 1984 net profit to 120.8bn (\$9.9bn). Page 21

FLANS by Edgar and Charles Brownman to cement family voting control of the Seagram Company, the world's largest distiller and owner of nearly 25 per cent of Du Pont, are running into some resistance in Canada. Page 19

VW, West Germany's biggest motor vehicle manufacturer, boosted profits in the first three months to DM 140m (\$44.8m) compared with DM 51m a year earlier. Sales were up 14 per cent to DM 13.4bn. Page 19

KHD, the Cologne-based diesel engine, industrial plant and tractor manufacturer, plans to lift its pay-out by 12.5 per cent to DM 9 (\$2.85) for 1984. Page 21

HOECHST, the West German chemical and pharmaceutical group, lifted pre-tax profits 39.2 per cent in the first quarter to DM 840m (\$269m). Sales climbed 8.7 per cent to DM 11.04bn. Page 21

SECURITY PACIFIC, the big West Coast banking group, is negotiating to buy most of Commercial Credit, the billion-dollar financial services arm of computer group Control Data. Page 19

CHEVRON, the third biggest U.S. oil group, is to be paid \$350m by Southern California Edison, an electrical utility, which broke a 10 year oil supply contract. Page 19

VALLOUREC, the leading French steel tubes manufacturer, announced that it cut losses by more than half last year to FF 180.8m (\$18.93m). Page 19

The Financial Times will not be published on Monday because of a British public holiday. The Saturday edition will be published as usual from London.

Paris resists U.S. pressure to set trade talks date

BY RUPERT CORNWELL, REGINALD DALE AND MAX WILKINSON IN BONN

PRESIDENT Ronald Reagan last night secured agreement from a majority of his partners at the world economic summit in Bonn to set a date early next year for a new round of trade talks, but an increasingly isolated France was still refusing to fall into line.

M. Francois Mitterrand, the French President, told Mr Reagan that the summit was not the place to fix a date for new trade talks. While accepting that a new round of trade negotiations might take place "one day" M. Mitterrand repeated his demand that developing countries should be guaranteed a full part in them and that the agenda must be clear before the talks start.

He questioned the authority of the summit of the seven - the U.S., Japan, West Germany, Britain, France, Canada and Italy - to take decisions on behalf of the world's trading nations.

Mr Reagan urgently needs agreement from all seven summit powers on "real progress" towards a new round of talks under the General Agreement on Tariffs and Trade, to counter rising demands for protectionist measures from the U.S. Congress.

West German leaders paid glowing tribute to President Ronald Reagan for his "courage" in going ahead with his planned visit to the Bitburg war cemetery on Sunday despite the political uproar it had created in the U.S.

While France still appeared to be linking the trade talks with its demand for more vigorous progress on world monetary reform, the U.S. won unambiguous support for its line from Britain, West Germany, Canada and Japan.

As the summit got under way last night, these countries said that the talks should begin early in 1986.

The urgency of finding a date has been increased by discreet warnings from Japan that it would be forced to retaliate against any move by the U.S. congress to raise barriers against its exports to the U.S.

There are now genuine fears that this could provoke a major trade war.

However, Mr Yasuhiro Nakasone, the Japanese prime minister, yesterday pledged his renewed support for the U.S. president's efforts to get trade talks going as soon as possible.

A meeting between the leaders of the two most powerful industrial nations was described as extremely friendly.

U.S. officials were at pains to emphasise the progress which had been made in opening Japanese telecommunications equipment markets, and the "courageous" position which Mr Nakasone had taken on trade issues.

Although the U.S. is strongly maintaining that trade talks should be entirely independent of separate discussions on ways to strengthen the international monetary system and is sceptical about the scope for genuine monetary reform, there were hints last night of a possible compromise.

Mr George Shultz, the U.S. Secretary of State, said after a meeting between President Reagan and M. Mitterrand, that while the issue remained "unresolved" there had been some developments that could "give us a handle on it".

But Mr Shultz said there had been no suggestion of a quid pro quo under which the U.S. would trade agreement on monetary reform against French concessions on the trade talks.

Reagan praised, Page 3

£60m loss for Minet syndicates at Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

MEMBERS of Lloyd's, the London insurance market, whose underwriting activities are managed by hundreds of Minet Holdings face losses of £60m (£71.6m).

Minet's Richard Beckett underwriting agency yesterday wrote to the 1,500 or so underwriting members, whose affairs it looks after. Among those contacted were Viscount Portman, former Conservative Member of Parliament, Mr Charles Longbottom, Mr Adrian Khashoggi, the Middle East businessman, the Duchess of Kent and the chairman of Lloyd's himself, Mr Peter Miller, who has invested in the Beckett insurance syndicates.

The agency has called a meeting of underwriting members for May 13. The problems centre on syndicates 918, 940 and 157, which have suffered heavy losses from liability insurance claims on asbestos and other latent disease risks.

Minet plans to take the unusual step of stopping the Richard Beckett agency operations at the end of the year, when the management of the underwriting members' affairs is intended to pass to other professionals in the market.

The prospect of heavy losses has prompted Lloyd's to extend the deadline by which underwriting members in the Minet syndicates are due to show that they have enough money to meet their liabilities. The date set for the solvency test is May 31 but for the troubled Minet underwriting members it has been extended to July 31 this year.

Already angry underwriting members are mustering to take further action over the unexpected losses. A steering committee, whose honorary chairman is Lord Goodman, a leading UK lawyer, has been formed and accounts Price Waterhouse have been appointed to examine the agency's records.

Last year the underwriting members were told by Minet that £40m had been diverted by former underwriting executives without the members' knowledge. In addition they were told that £40m of trading losses had fallen on the syndicates.

Minet, under a compensation payment of £40m to cover the funds that had gone missing and the members used that to pay their insurance claims.

Mr Raymond Pettit, chairman of Minet Holdings, announcing the group's results yesterday, said that firm legal advice had been received that Minet "has no liability" for the events that took place at the Richard Beckett agency nor the underwriting losses. He said the group "will vigorously defend any suit brought. The board of Minet has set aside £2.3m to deal with possible legal costs that might be incurred in action between the members and the agency."

Mr Keith Whitten, a member of the steering committee, said last night that litigation might take place over the losses in the next two weeks.

Lex, Page 18

InterNorth agrees to buy Houston Gas

BY WILLIAM HALL IN NEW YORK

INTERNORTH, the big U.S. natural gas pipeline group, and its smaller rival Houston Natural Gas have agreed to merge in a deal worth around \$2.3bn. This follows widespread speculation on Wall Street a bid was imminent.

Under the terms agreed by both boards yesterday InterNorth is to tender \$70 cash for each HNG share for a minimum of over 50 per cent of HNG's stock.

Houston Natural Gas, which fought off an unwelcome \$68-a-share bid from Coastal Corporation last year, has been growing rapidly under its new chief executive, Mr Kenneth Lay. However, on Wall Street speculation has been rife in recent days that InterNorth, which itself has been subject to takeover rumours, was ready to make a bid.

Houston Natural Gas shares jumped 51 1/4 to 58 1/4 in heavy trading on Wednesday. Its shares were suspended yesterday as were those of InterNorth.

Earlier this week, InterNorth put together a \$2.5bn credit line for "general corporate purposes." There has been considerable takeover activity and speculation in the U.S. natural gas pipeline industry recently.

The fall in natural gas prices and the deregulation of the industry has led to a big restructuring of the industry into fewer and larger pipeline companies. Analysts say that the industry is suffering from pressures similar to those that led to the merger wave in the U.S. oil industry as competition increases in a formerly highly regulated industry.

InterNorth is roughly three times as large as Houston Natural Gas. In the first three months of 1985 it earned \$113.9m.

WEEKEND FT

THE Financial Times tomorrow launches a new look Saturday edition. The two-section paper will contain the present mix of news, personal finance and leisure topics, with the regular news, feature and statistical content of the daily newspaper followed by a separate section called The Weekend FT. This will contain:

- an expanded section of articles covering a wide range of issues to do with personal finance. These pages will feature articles about savings, investment, pensions, insurance, home loans, consumer credit, unit trusts and taxation, together with a two-page summary of the week's developments in UK and foreign markets. There will be regular columns for women, expatriates and those in retirement.
- an expansion of the present leisure and arts pages, ranging from the "How to Spend it" column to the Books Page. This section will regularly feature articles about travel, property, motoring, collecting, the sale room, the countryside, food and wine, sport and the arts.

Nigeria in \$500m oil swap deal with France

By David Marsh in Paris

FRANCE and Nigeria have agreed the outlines of a \$500m counter-trade deal involving swapping oil for French capital equipment and raw materials destined particularly for the Nigerian vehicle industry.

The agreement, reached between the Nigerian Government and Soco, the Paris-based international trading company, represents a further effort by the financially strained oil state to step up compensation trade to speed up inflows of much needed capital goods.

It follows other Nigerian oil barter agreements recently concluded with Brazil, including a \$1bn deal involving oil, spare parts and manufactured goods, and the Volkswagen car group, as well as a series of other similar deals with Middle East oil states.

Details of the Franco-Nigerian deal have not been concluded, but it will centre on supplies of vehicles in kit form for the Peugeot car assembly factory at Kaduna and the plant run by Soco at Apapa, which assembles light commercial vehicles.

Shortages of imported equipment at the Kaduna plant have periodically held up production during the last two years of Nigeria's foreign exchange difficulties.

Other materials to be involved in the counter-trade include refined sugar from French companies as well as possibly other commodities like vegetable oils, according to company officials.

Elf Aquitaine, the French state-controlled oil group, will take an as yet unspecified quantity of crude oil from the Nigerian National Petroleum Corporation in exchange for the French products.

Reports in Paris say Elf might take about 50,000 barrels of Nigerian oil a day. Elf yesterday refused to comment on the quantities involved, saying that it had not yet signed any commitment.

Nigeria has stepped up its sales of oil to France in the last few years, helping to lower French dependence on Middle East supplies. Lagos is now France's second biggest oil supplier after Britain.

Company officials in Paris say details of the deal should be finalised by the end of this month, and that other barter accords with France may be worked out in the future.

One possibility is that a similar deal could be worked out to cover exports of equipment from the oil refinery being built at Port Harcourt, a project that involves French construction company Soco Batignolles as well as Japanese groups.

Hutton said yesterday that the

London to sell final 48.8% Britoil stake

BY PETER RIDDELL IN LONDON

THE UK Government intends to offer for sale later this year its remaining 48.8 per cent shareholding in Britoil, the oil production and development company that was initially privatised in November, 1982.

Mr Nigel Lawson, Chancellor of the Exchequer, announced the sale last night. "It is the Government's policy to sell its minority holdings in privatised companies as and when circumstances permit."

He said the sale of the Britoil holding would be part of this policy and would cover all the shares apart from those needed to pay out the small shareholder bonus.

The announcement follows the fixing of the terms on Wednesday of the sale of the Government's remaining shareholding in British Aerospace, which will raise £33m (\$44.2m). In addition, the Government is already assured of further receipts from the sale of half its shareholding in British Telecom in a partly paid form last November.

The clear intention is to maximise proceeds from the disposal of assets in order to contain public sector borrowing in face of upward pressures from higher public spending.

The Treasury also announced that any merchant bank interested

British Gas to be sold

The UK Cabinet agreed to sell the British Gas Corporation to the private sector as a single entity. The sale is likely to be spread in tranches over a period of years. The Cabinet accepted the view of Mr Peter Walker, Energy Secretary, that the core production and distribution activities of British Gas should not be broken up and sold piecemeal.

in being considered for appointment as financial adviser for the sale should apply by next Wednesday "enclosing details of its organisation's experience relevant to the appointment, the proposed team and fees and charges."

The Government holds a special share in the company, as with other companies that have been privatised, to prevent unwelcome takeovers and to ensure that control remains in the UK.

Britoil was privatised in November 1982 in an underwritten offer-for-sale that raised about £330m for the Government after taking into

Continued on Page 18

Fraud settlement to cost Hutton \$11m

BY TERRY DODSWORTH IN NEW YORK

THE BROKING subsidiary of E. F. Hutton, the fifth largest U.S. securities firm, pleaded guilty yesterday to charges of mail and wire fraud, agreeing to pay a \$2m criminal fine and \$750,000 in costs for the Government's investigation of its activities.

The company has also made a \$8m provision to commercial banks that may have been injured as a result of the fraud. Hutton said yesterday that those payments and provisions had already been reflected in the group's accounts and would have no effect on future earnings.

The announcement of the broking company's guilty plea, was made yesterday shortly after the group's shares were suspended at 33 1/2%. That followed a long grand jury investigation into the handling of the broker subsidiary's cheque accounts from July 1980 to February 1982.

Hutton, one of the biggest retail

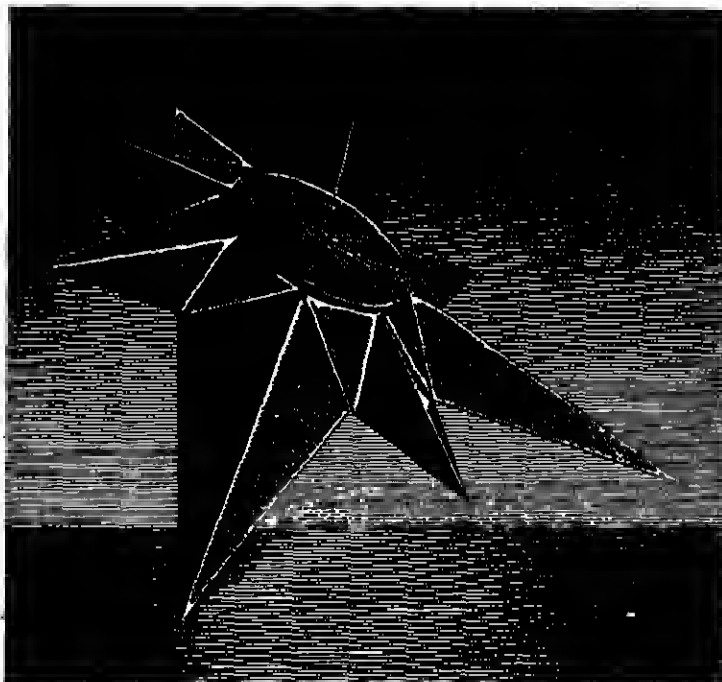
changes arose out of the misuse of the "float" that arises in the banking system in the interval between the time a cheque is deposited in a bank and the time that the depositor's bank collects funds from the bank on which the cheque is drawn.

The broking company was charged with excessive drawdowns on these funds, "by intentionally and persistently" writing large cheques against deposits before the cheques creating those deposits had been cleared. The effect of that was to create interest-free loans from the banks to the company.

In addition, Hutton benefited improperly from multiple transfers - transferring funds successively through several banks on their way to the company's central accounts, and thus taking advantage of potential increases in the float arising from random delays in the cheque-clearing system.

Continued on Page 18

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EUROPEAN NEWS

Rome investment pledge

BY JAMES BUXTON IN ROME

THE ITALIAN Government does not intend to introduce any measure that would restrict or regulate the flow of foreign investment into Italy, Sig. Renato Altissimo, the Minister of Industry, has said.

For the past few months there have been suggestions that the ministry wanted to take steps to ensure that it was informed of impending takeovers, and was considering ways of blocking undesirable takeovers.

Last year there was a record number of acquisitions of stakes in Italian companies by foreign concerns, bringing into Italy an estimated L1,500bn (\$1,480bn).

The inflow provoked unease among some politicians, and the Ministry of Industry was embarrassed last April at learning of advanced takeover talks between Electrolux of Sweden and the white goods maker Zanussi from a news-

paper report. The resulting take-over dismayed some politicians.

Sig. Altissimo, a member of the Liberal Party which is traditionally sympathetic to business, asked his staff to examine possible ways of obtaining advance information and of weeding out takeovers that were not in the national interest - such as a hostile power buying into a sensitive high-technology company. But he made clear that he had no intention of taking any action.

Asked what he intended to do about multinationals wanting to invest in Italy he replied: "nothing - we want them to come."

The Italian Government faces the problem that any procedure designed to correct certain defects in the present situation could provoke parliament to introduce restrictions that would actively discourage foreign investment.

Reagan praised for 'courage' over Bitburg

BY REGINALD DALE, U.S. EDITOR, IN BONN

WEST GERMAN leaders yesterday paid glowing tribute to President Ronald Reagan for his "courage" in going ahead with his planned visit to the Bitburg war cemetery on Sunday despite the political uproar it had created in the U.S.

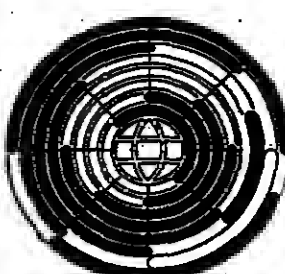
In talks with Mr Reagan at the beginning of the Bonn economic summit, Chancellor Helmut Kohl said that all of West Germany knew what Mr Reagan had endured in recent weeks and that his decision to proceed with the visit had sent "a very powerful signal" to the German people.

President Richard von Weizsacker told Mr Reagan that as

a result of the furor, his visit to West Germany would have a longer and deeper meaning for relations between the two countries.

The visit would send a message to West Germany's young people, who were now debating the merits of Mr Reagan's "Star Wars" space defence program, just as they had earlier debated the deployment of American cruise and Pershing II missiles, he said.

West German officials said that Mr Reagan would be joined on his Bitburg visit by representatives of the German internal resistance to Hitler, including the son of Count Schenk von Stauffenberg, the



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leader of an unsuccessful plot against Hitler in July 1944. The White House has been

actively searching for prominent anti-Nazis to accompany Mr Reagan to offset the presence of 49 graves of Waffen SS soldiers in the cemetery.

The continuing sensitivity of the Administration was evident, however, when a senior official walked out to a briefing after American reporters made light of the issues raised by the Bitburg visit. After one reporter joked about the American Press's role in the affair, Mr Richard Burt, Assistant Secretary for European Affairs, interrupted an account of Herr Kohl's remarks to Mr Reagan and suddenly left the room.

Mr Burt's action attracted particular attention as he is ex-

pected soon to be nominated as the next U.S. ambassador to West Germany, to replace the departing Mr Arthur Burns.

The undercurrent of bad feeling in the White House Press room continued when Mr George Shultz, the Secretary of State, abruptly terminated a later briefing, although without walking out, when another reporter appeared to insult him by suggesting that his answer to a question on the subject was "on the wrong track."

Mr Reagan has accused the American Press of responsibility for the outcry over Bitburg from American Jewish leaders and war veterans.

Alicante governor fears more Eta bombs

By Our Madrid Correspondent

THE SPANISH Government's chief representative in the Alicante region warned yesterday that there could be more bombs in beach areas following two minor explosions near holiday hotels on Wednesday night.

The bombs at El Saler south of Valencia and on Benidorm's Levante beach, which may have been placed weeks in advance, were small and caused no damage or injury - except, possibly seriously, to the local tourism business.

Sr Octavio Cabezas, civil governor of Alicante province, said the bombs, the first manifestation of a threatened campaign by Eta, the Basque terrorist group, were apparently intended "not to cause personal injury but to perturb tourism."

As the interior Ministry in Madrid made bomb-squad reinforcements available to send to the area, Sr Cabezas appealed to holidaymakers not to change their plans. "I believe there is no danger to their lives or enjoyment of their holidays," he said, describing the explosions as "a dirty campaign designed to hit tourism as one of the most important sectors of the Spanish economy."

Police have started combing beach areas. The bombs that went off were similar to two unexploded devices found during Easter week in the same region, which was the scene of bombings in a similar Eta campaign five years ago.

Hotellers and tourist authorities on the Spanish Mediterranean are worried about a "bomb psychosis" developing and the risk that boaters will cause as much damage as Eta itself.

Arthur Sandles adds: Tour operators who had flights to southern Spain yesterday all reported a "Carry on Holiday-making" mood among British tourists. There is now, however, a cautious view about the prospects for bookings over the next week or so.

Agency reports suggested that Thomson Holidays was being the most co-operative in offering a free holiday change to customers who wanted it. Some other major operators were sticking to their normal penalty charges for such changes "as long as the British Government is not telling people it is dangerous to travel."

The Foreign Office, for the moment, is saying it is not issuing any such warning.

David White reports as Madrid prepares for U.S. President's visit
Nato argument hots up in Spain

PROTESTS by Spanish left-wingers have already begun, several days ahead of President Ronald Reagan's arrival here on Monday, on the second stage of his European tour.

An industrial Madrid suburb, whose town council is dominated by the ruling Socialist party, on Tuesday declared Mr Reagan persona non grata. At Saragossa, where the U.S. has an air base, an ally of the U.S. President was dumped into the river Ebro. There was an explosion the same day at a Coca-Cola warehouse in northern Spain, and another on Thursday at a U.S. electrical company in the Basque country.

Communist trade union leaders, turned the May Day celebrations into an anti-Reagan occasion and the stars-and-stripes flag that had been put up a week in advance in Madrid were prudently removed until nearer the event.

On Sunday, what promises to be the biggest anti-American demonstration ever mounted in Spain is due to be held, followed by other protests against the man whom Sr Santiago Carrillo, the old Communist warhorse, has labelled "the brown beast."

The protests have added to the concern of Sr Felipe Gonzalez, the Prime Minister, about what already promised to be a very delicate visit. Sr Gonzalez is worried that the trip, which many will interpret as a bid to put pressure on the Spaniards to remain in Nato, could backfire by rallying the anti-Nato camp.

The U.S. base agreement, which Sr Gonzalez says he wants to begin renegotiating before going ahead with a referendum on Nato membership promised for next year, has become the main talking point ahead of the visit. Some observers believe the Government has deliberately provoked controversy by insisting on early renegotiation as a smokescreen to draw attention from the wider Nato issue.

Spain wants a "progressive reduction" in the 12,000-odd U.S. servicemen stationed in the country, and in the bases themselves. Under the bilateral defence and co-operation agreement which has been periodically modified over the past 30 years, either side can call for revision of the accord.

The cuts were first mooted six months ago in a carefully balanced defence policy statement by Sr Gonzalez, in which he made public his position - now endorsed, somewhat reluctantly, by the party - in favour of staying in Nato.

The policy presents a nasty dilemma for the U.S. Washington wants Spain in Nato, and preferably in Nato's integrated military structure, which Sr Gonzalez is not at the moment willing to join. But it has learnt that overt pressure on Madrid can be counter-productive.

Meanwhile, the tactic adopted by Sr Gonzalez for selling the idea of Nato to the country is pegged to partial dismantlement of the U.S. bases, where Washington believes Spain's strategic importance chiefly resides.

The U.S. has facilities at four major Spanish bases. Rota,

near Cadiz, serves as support base for the U.S. 6th fleet in the Mediterranean and there is a standby air base at Moron in the same region. The U.S. Air Force has two key bases in Spain: a tactical fighter training unit at Saragossa, in a thinly populated region where pilots can practise low-level runs, and a military aircraft command and tactical fighter unit, equipped with F-16 fighter aircraft, at Torrejon, outside Madrid.

Torrejon is regarded as the most important base of its kind in the south-west of the continent, with a 21 mile runway, longer than any other the U.S. has in Western Europe, which U.S. officials say would be difficult and expensive to replace.

In proximity to the capital gives this base maximum irritation value: both the noise and the land it occupies are resented by locals, not only left-wingers, and its position makes it an ideal focus for anti-American protests. The restaurant bomb which killed 18 people outside Madrid three weeks ago was aimed at U.S. servicemen from Torrejon.

The U.S. presence, and to a large extent Spain's membership since 1962 of Nato, are seen by Spaniards more as a burden imposed by Washington than as a prop to their own defence interest. Having stayed on the sidelines in both world wars, and not feeling particularly threatened by the Soviet Union, Spain has less appreciation than other countries of the U.S. military role - and not enough to offset anti-American "prejudices."

Protest posters in Madrid this week show a reptilian Mr Reagan, with the slogan: "Neither in Central America nor here do we want visitors."

The Spanish Left also resents the help given by the U.S. to General Franco after the 1953 defence agreement which let the dictatorship out of international quarantine.

Misunderstandings have proliferated in recent weeks. Washington's request for a Spanish commitment on controlling sales of "sensitive" U.S. technology to the East bloc became a major political issue, still not fully resolved.

Then came a ludicrous incident in which two U.S. diplomats were caught photographing the Prime Minister's offices. Even the organisation of the Reagan visit did not pass without friction: the Spaniards were furious when they were not consulted over a change in dates.

But for all this, the Madrid Government is actually conscious of the importance of American ties. U.S. investment plays a major role in Spain and in its industrial ambitions in the EEC. Ford, IBM and General Motors were Spain's top manufacturing exporters last year, and the U.S. is Spain's third-biggest customer, and largest non-oil supplier.

The bases agreement and Nato membership also provide a key opportunity for Spain's growing defence industries, through technical co-operation and access to U.S. markets, advantages which would be lost if Spain ever quit Nato.

Teach-in not lay-off at Seat

By Kenneth Gooding, Motor Industry Correspondent, in Barcelona

SEAT, the state-owned Spanish motor group, will shut three of its four factories for two days this month as that company and its workers attend a series of lectures instead of producing cars and components.

They will be given details of Seat's strategy, now that it has changed direction and is tackling West European markets, with its own products and dealer network.

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Study warns of discord in Nato over Star Wars

BY OUR FOREIGN STAFF

PRESIDENT Ronald Reagan's Strategic Defence Initiative (SDI), the so-called Star Wars project, has begun a controversy which will run for many years, according to the International Institute for Strategic Studies. It warns in its 1985 report, *Strategic Survey*, that the issue could provoke tensions between the U.S. and its European allies.

"The strong feelings that appear to be developing on both sides of the Atlantic," it says, "suggest that 1984's comparative calm in intra-alliance relations may not survive 1985."

The report expresses serious reservations about the SDI. "Even if strategic defences were to prove feasible, they could damage stability rather than strengthen it. When deployed, some elements of the defences have to be

programmed to react within a very few minutes, thus decreasing time for human judgment to influence the firing process. Defences against ballistic missiles may encourage the further development of other means of strategic attack, particularly cruise missiles and aircraft, which will raise problems for any new arms control regime."

In principle, the research and technology phase of the SDI programme is scheduled to last until 1992; if so, decisions on whether to hold tests which would violate the 1972 Anti-Ballistic Missile Treaty would not be taken until long after President Reagan has left office. The survey warns, however, that the U.S. could be faced with decisions on testing as early as 1987 (i.e. during Mr Reagan's current term).

The President's strong commitment to the SDI and the option of deploying strategic defences will complicate the nuclear arms control negotiations in Geneva, says the report. "It is difficult to imagine a successful outcome at Geneva that does not include reaffirmation or clarification of the limits embodied in the existing ABM and Outer Space Treaties."

Portugal authorises three foreign banks to set up branches

BY DIANA SMITH IN LISBON

THE PORTUGUESE Government has authorised Barclays Bank International, Banque Nationale de Paris and Citibank to open four branches in Portugal.

At the same time the Banco Comercial Português, the first private Portuguese commercial bank to emerge since the financial system was nationalised in 1975, has been given a licence. This bank was formed by a large group of entrepreneurs based in Oporto, centre of Portugal's private industry.

After banking legislation was liberalised by the Government in February 1984 another Portuguese institution SPFI (Sociedade Portuguesa de Investimentos) was allowed to convert to the country's first private investment bank, Banco Português de Investimentos. Several major foreign banks hold minority shares in this enterprise.

Barclays, Banque Nationale de Paris (BNP) and Citibank will follow Chase Manhattan and Manufacturers Hanover Trust, both U.S. banks, which received their licences last summer. All the banks had applied at about the same time.

The authorities decided that until EEC negotiations were successfully completed no European banks would be authorised and Citibank had to wait until now because the Government did not want to be seen licensing three American banks in one batch.

Other European banks, Société Générale de Banque (Belgium), Banque Paribas and Banque Indosuez also applied last year. It is unlikely that any further licences will be granted to foreign or Portuguese banks in the near future.

The seven new establishments will provide a powerful challenge to Portugal's commercial banks. Already, the rapid growth of Manufacturers Hanover Trust and Chase Manhattan operations, have started the authorities and forced them to study new methods of gearing to cope with the rush of demand for the services of banks whose competitiveness and technology is stronger than the nationalised banks.

The new arrivals have prompted Portuguese banks to offer new types of accounts.

Opec output below limit, says Saudi

By Dominic Lawson

OIL PRODUCTION by the Organisation of Petroleum Exporting Countries in both March and April was at least 1m barrels a day below the 1984 official ceiling, according to Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister.

Speaking after a two-day meeting in Geneva of Opec's ministerial executive council, he said that "Saudi production in April was below 2.2m b/d. This is against the 2.2m b/d target for the month."

He added that Opec's system of quotas is "not working" and that "Saudi Arabia is allocated about 4.2m b/d."

His figures do not tally with other ministers' estimates. Mr Arwida Fernandez Gironi, Venezuela's Oil Minister, put March production at 16-16.5m b/d.

Sheikh Yamani conceded that the oil market "will continue to be soft for the next two months." He added: "We do not expect a higher consumption in the coming months and we do not expect companies to replenish their inventories."

Prof Tam David-West, the Nigerian Oil Minister, criticised that his country would now admit the international arm of accountants that Opec commissioned in December to give it a firmer grip on its production and price controls policy.

Nigeria has been the only Opec country holding out against the investigation and the only one greatly exceeding its quota.

Sheikh Yamani said the accountants, Klynveld Krausbeek, would be able to do this month to give fully audited export figures.

SOCIALIST EX-MINISTER REVEALS SOCIAL DEMOCRAT AIMS

Rocard stakes out his ground

BY DAVID HOUSEGO IN PARIS

MICHEL ROCARD, the most popular of France's Socialist leaders, yesterday broke his self-imposed silence to reveal his ambitions to transform the Socialist party into a modern social democrat movement and to stand as a candidate for the presidency.

He did not put it quite as bluntly as that. But in his first broadcast since his unexpected resignation as Minister of Agriculture last month over the issue of proportional representation, he left no doubts about his strategy.

Between now and the party congress in Toulouse in October, his goal is to achieve a transformation of the French Socialist Party similar to that of the West German Socialists when they renounced their Marxist past at Bad Godesberg in 1959. M Rocard described it last night as getting the party to "adapt its language to the realities."

If the Socialist party declines to listen to him—and there are

a great many knives out for him—he has left the door open to a bid for the presidency in 1988 or before. Against a candidature on the Right of M Raymond Barre, the former Prime Minister, for instance, he has nearly as much hope as any of his rivals of rallying the largest number of votes on the Left.

M Rocard, who is 54, is a comparable phenomenon on the French Left to M Barre on the Right. His popularity stems, like M Barre's, from preaching unpopular truths and from his intelligence. With his schoolboy face, his wide and generous smile, he has a warmth and compassion that the other lacks.

His weakness is that, unlike M Barre, he has the image of a loser. He lost against M François Mitterrand in the battle for the Socialist nomination for President before the last elections and has been outfoxed by him ever since. Public opinion has had a higher regard for him than his Socialist colleagues.

Since M Laurent Fabius was

made Prime Minister in July, M Rocard has had the choice of accepting that his career would be stifled or of launching out on his own. Many of his friends believe he should have resigned much sooner.

He is now establishing a shadow cabinet with a personal staff to monitor the main sectors of policy. He declared last night that his loyalties lay with the Socialist party and hoped that the party would be "Rocardised."

But he also announced that he would be establishing "a centre of reflection"—normally a sign in the French system of a politician staking out his own ground. M Rocard argued last night that the Socialists had been right to change tack in 1982-83 from mistaken policies of consumer-led deflation, but he claimed that it had not been understood in the country because of the Marxist type of language in which the Socialist message is still often expressed. He will not, however, have an

easy time in putting across in public the distinction between his own views and M Fabius's increasingly liberal approach.

The confusion in the public mind is likely to be the greater in that M Rocard is now closer to the left of the Socialist party in believing that improvements in France's inflation and trade performance provide room for a selective stimulus to the economy.

For President Mitterrand, the resurfacing of the Rocard challenge is both unexpected and unwelcome—especially after the departure of the Communists from the government. It could damage the image of unity the Socialists want to present at their congress in October, the last before the parliamentary elections in March. It is bound to be exploited by the opposition which has suffered from divisions in its own camp.

The most difficult decision for the party leadership will be what place to give M Rocard's



Rocard... loser image

followers in the Socialist list of candidates for the elections. The temptation after his "defection" will be to squeeze them out. The danger of such a move would be that M Rocard would then establish his own list of candidates in defiance of the party. On the basis of his broadcast last night that is a step that he would like to avoid.

David Marsh examines the controversy behind a FFr 2bn addition to the Louvre

Stones start to fly at Mitterrand's glass pyramid

"IT'S A question of taste," said the custodian yesterday as he guided in Parisians to their first preview of what has become France's biggest architectural controversy—a pyramid slap in the middle of the Louvre.

The transparent pyramid will be 20 metres high and 32 metres wide (65 ft by 104 ft), fashioned out of glass and special steel. It has been commissioned as the centrepiece of a plan to modernise the Louvre and make its sprawling collections more accessible.

The project has the personal backing by President François Mitterrand and is scheduled to be completed by 1988 at a cost of FFr 2bn (£170m). It is one of a series of architectural works with which the President aims to leave his imprint on the French capital.

A full-scale mock up of the pyramid, outlined with the aid of white cables hoisted from a tower crane, is on show in the Louvre's Cour Napoleon. It is designed to defuse a storm of criticism from conservationists

and right-wing politicians and newspapers who claim the structure will be out of keeping with the Louvre's setting and history.

Opponents of the pyramid, designed by the Chinese-American architect Ioh Ming Pei, say its cost is inappropriate at a time of economic austerity.

The Louvre authorities, on the other hand, say the pyramid will provide a focus to a spacious network of subterranean halls and passageways to be dug out of the courtyard. These will provide a new

entrance for the museum, more services for visitors and a series of escalators linking up the three wings of the Louvre Palace.

The project is tied to the move by the Finance Ministry in 1987 from its present Louvre headquarters to a new office complex, which should ease the museum's chronic shortage of space.

M Mitterrand, who was asked on a television chat programme last Sunday whether he did not think the pyramid should be put

somewhere else, has shown himself to be stung by the criticism. Some Opposition politicians have compared his passion for grandiose architecture with that of Louis XIV.

M Mitterrand told his television audience the pyramid would allow visitors to see better the Louvre's architecture and would save on the shoe leather of Louvre-goers. He described opposition to bringing in modern art elements into the Louvre as "absolutely ridiculous."



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INTERIM REPORT AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 31st MARCH 1985

Income Statement

The unaudited group results of Rand Mines Properties Limited ("RMP") and its subsidiaries for the six months ended 31st March 1985 are:

	Half year ended 31st March 1985	Half year ended 31st March 1984	Change %	Year ended 30th Sept 1984
	R000	R000		R000
Turnover (Note 1)	24 512	31 863	-23	103 586
Group operating profit before taxation	12 964	15 128	-14	31 959
Interest paid	163	1 191	-86	1 384
Group profit before taxation	12 801	13 937	-8	30 575
Taxation	3 235	4 962	-35	9 398
Group profit after taxation	9 566	8 975	+7	21 227
Attributable to:				
—Outside shareholders in subsidiaries	—	55	—	26
—Members of RMP	9 566	8 920	+7	21 141
Shares in issue (000s)	12 468	12 403	—	12 403
Earnings per share (cents)	77	72	—	170
Dividends per share (cents) (Note 5)	17	—	—	65
Not included in earnings attributable to members of RMP: Surplus on disposal of Thesen & Co. (Pty) Limited (Note 1)	9 631	—	—	—

Balance sheet

The unaudited consolidated balance sheet at 31st March 1985 and the audited balance sheet at 30th September 1984 are given below:

	31st March 1985	30th Sept 1984
	R000	R000
Source of Capital		
Share capital and reserves	168 967	91 579
Interest of outside shareholders in subsidiaries	—	917
Total shareholders' funds	168 967	92 796
Long-term liabilities	547	8 584
Deferred taxation	1 710	—
	111 224	101 959
Employment of Capital		
Fixed assets (Note 1)	72 538	92 832
Property development and townships	13 444	13 647
Current assets	43 581	31 132
Stocks and stores	2 253	8 807
Debtors	10 272	15 615
Cash and gold on consignment	30 075	6 710
Total assets	129 485	137 601
Current liabilities	18 261	38 643
Interest bearing	61	4 089
Other	18 210	31 573
	111 224	101 959
Significant Ratios		
Current assets to current liabilities	2.36	0.87
Total liabilities to total shareholders' funds	0.17	0.39

Notes:

1. Sale of Thesen & Co. (Proprietary) Limited

The company disposed of its wholly-owned subsidiary, Thesen & Co. (Proprietary) Limited on 1st October 1984 for a net consideration of R2.2 million in order to finance, in part, the construction of a new gold plant at City Deep. The surplus on disposal, amounting to R9.6 million, has been transferred to non-distributable reserves. The reduction in turnover for the half year and in fixed assets are due to this disposal.

2. Review of Profits

	Half year ended 31st March 1985	Half year ended 30th Sept 1984	Year ended 30th Sept 1984
	R000	R000	R000
Sand treatment			
Operating results			
Sand and slime treated (000 tons)	2 627	2 724	5 113
Gold produced (kg)	1 324	1 388	2 678
Yield (grams per ton)	0.51	0.51	0.52
Revenue (rand per ton treated)	9.30	8.45	8.70
Cost (rand per ton treated)	6.66	5.58	5.53
Working profit (rand per ton treated)	2.64	2.87	3.17
Gold price received (rand per kilogram)	17 559	18 421	15 608
Revenue	16 000	16 000	16 000
Costs	24 443	23 113	42 462
	15 556	15 209	28 278
Working profit	8 518	7 904	14 184
Amortisation	2 477	2 622	4 718
Capital expenditure	1 668	1 046	1 973

Property Gross revenue from township land sales for the six months to 31 March 1985 totalled R7.3 million. Profits to 31 March 1985 do not include those arising from a major sale of industrial land in the proposed township of Aeroton Extension 5. The profit before tax on this sale, amounting to approximately R7 million, will be included in the results for the second half of the financial year provided proclamation of the township is achieved during the current financial year.

3. Prospects for the year

It is estimated that the group profit after taxation for the year will be of the order of R20 million, which is equal to 161 cents per share. This estimate assumes gross revenue from township land sales of R20 million, which includes the transaction referred to in Note 2 above, and an average gold price of R19 500 per kilogram for the remainder of the year.

4. Capital commitments

	31st March 1985	30th Sept 1984
	R000	R000
Contracts for capital expenditure	45 947	43 416
Capital expenditure authorised, but not yet committed	46 009	44 006

5. Dividend

As a result of the more regular profit flows through the year arising from the successful operation of the Aeroton Extension 5 Township, the directors have decided to declare, for the first time, an interim dividend of 17 cents per share. Details are set out in the accompanying dividend notice. Provided that the group profit after taxation for the year is of the order of R20 million, the total dividend for the year will remain unchanged at 65 cents per share.

Dividend declaration

Notice is hereby given that dividend number 18 of 17 cents per share has been declared as an interim dividend in respect of the year ending 30th September 1985 payable to members registered at the close of business on 24th May 1985.

The register of members of the company will be closed from 25th May to 2nd June 1985, both days inclusive. Dividend warrants will be posted on or about 28th June 1985 to members at their registered addresses or in accordance with their written instructions received up to and including 24th May 1985. The dividend is declared in the currency of the Republic of South Africa. The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars, transfer agents and paying agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 25th May 1985 on which foreign currency dealings are transacted.

Where applicable, non-resident shareholders' tax of 15% will be deducted from the dividend.

For and on behalf of the Board
J. R. FORREST } Directors
A. B. HALL }

United Kingdom secretaries
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1A 1JF

Transfer secretaries
United Kingdom registrars, transfer and paying agents
Hill Samuel Registrars Limited
6 Greenock Place
London SW1P 1PL

Registered Office
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Crown Mines, Johannesburg
2092 South Africa
(P.O. Box 27, Crown Mines
2025 South Africa)

Transfer secretaries
Rand Registrars Limited
Second Floor, Devonshire House
46 Jorissen Street, Braamfontein
2001 South Africa
(P.O. Box 31719 Braamfontein, South Africa)

Two more tankers attacked in Gulf

IRANIAN aircraft attacked two tankers in the Gulf north of Qatar yesterday but damaged only one of them, writes Our Middle East Staff. The 20,085-ton Nordic Trader, registered in Liberia, was reported to have been hit by three missiles. The bridge and crew accommodation were seriously damaged, but the fire which broke out was later extinguished by salvage tugs. Earlier, the Japan Aster, 117,596 tons, had also been attacked. The captain reported that the missiles had missed his vessel.

The two attacks are thought to have been in retaliation for Wednesday's raid by Iraqi aircraft on the Turkish tanker Burak M south of Kharg Island, Iran's main oil terminal.

Ethiopia denies eviction reports

Ethiopian relief officials yesterday denied that 50,000 famine victims were forcibly moved from a feeding centre last week, saying the stories had been fabricated, reports Menter from Nairobi. They said 30,000 people at the Tiban camp had freely decided to go home to work their farms because of recent rains and that about 25,000 people remained at the feeding centre.

However, Fether Jack Finucane, field director of the Irish aid agency Concern, said by telephone from Addis Ababa that at least 50,000 famine victims were ordered—though not at gunpoint or through having their huts burned down—to quit the camp and that only 3,000 elderly or infirm people were left.

Indian civil service strike may spread

A strike by government employees in the western Indian state of Gujarat, where at least 73 people have been killed in two months of riots over policies affecting the status of minorities, yesterday threatened to spread, reports Menter from New Delhi.

According to Indian news reports, a union representing 700,000 civil servants throughout the state has called on its members to stay away from work today and to go on indefinite strike from May 17 in protest against alleged police brutality, during demonstrations against a caste-based promotion system.

ADB move to admit China fails

The Asian Development Bank ended its annual meeting yesterday after failing to admit China as a full member of the Manila-based organisation. Kyodo reports from Bangkok. However, the bank said that it hoped the issue would be settled soon, suggesting that membership could be granted by the next annual meeting. China had said on Wednesday that an understanding in principle had been reached where it would become a full member, with Taiwan retaining its membership under the new name of "Taiwan, China."

HK jury bid shelved

The Hong Kong Government, bowing to intense public opposition, agreed to indefinitely proposed legislation that would change the way complex commercial trials are heard, reports from Hong Kong.

'Crying Lady' says Aquino shot by uniformed soldier

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT, IN MANILA

PHILIPPINE opposition leader Benigno Aquino was shot by a uniformed soldier as he descended from his aircraft at Manila airport, an eyewitness, dubbed the "Crying Lady", testified yesterday.

Her testimony was the first from someone who claimed to have seen the shooting, and appears to boost the prosecution in case plagued by vanishing witnesses, changes of testimony and continuing controversy.

Mrs Rebecca Quilano, a 22-year-old businesswoman who was on the same aircraft as Mr Aquino on August 31 1983, is known as the "Crying Lady" because she was seen weeping uncontrollably after the assassination.

She later went into hiding, and did not appear before the commission of inquiry into the killing headed by Mrs Corason Agrava. Mrs Agrava's five-member panel rejects the police theory pinning blame solely on Rolando Galman, who was shot dead immediately following the attack on Mr Aquino, and pointed instead to a military conspiracy.

Although Mrs Agrava insisted the conspiracy was limited, the absence of blood on the 25 military men and a civilian, including Gen Fabian Ver, the armed forces chief. All are now on trial. Hearings have dragged on for weeks in a dingy room deep in the bowels of the Prime Minister's majestic executive office building off Luneta Park

Peres rejects U.S. devaluation call

BY DAVID LENNON IN TEL AVIV

ISRAELI daily rejected American suggestions that it undertake a large devaluation and cancel the system of universal linkage of the economy to cost of living index, in order to rehabilitate the economy, Mr Shimon Peres, the Prime Minister, said yesterday.

Despite Israel's urgent need for emergency economic aid from the U.S., Jerusalem none the less dismissed the recommendations of economic advisers to Mr George Shultz, the U.S. Secretary of State, who called for major reform following a recent study of

Israel's troubled economy. "They told us that in order to cure the economy, we must take very drastic measures. One is a large devaluation, and the second is to cancel indexation," the Premier said.

"We said we will not accept these steps because the classic solution which says bring deep unemployment, does not appear right to me. Perhaps it will end inflation, but it will create a terrible social problem which, in my opinion, will mean exchanging one illness for another," Mr Peres said.

"I will not give my support to creating an increase in unemployment in Israel, even if all the economists say that this is what will bring the economic recovery. Who says that curing the economic situation justifies worsening the social situation?"

For a time it appeared that additional U.S. aid would be made conditional on implementation of such steps. But Mr Peres stressed yesterday that "the Americans did not set any conditions. They asked if our intention was to rehabilitate the economy, and we said yes."

It is now virtually certain that the US\$1.5bn (\$1,250m) emergency aid which Israel is seeking over the next two years will be granted without Jerusalem, having promised to implement the harsh measures recommended by Mr Shultz's advisers.

At the same time the Premier said that the Government would take steps to rehabilitate the economy, such as granting autonomy to the Bank of Israel, the central bank, so that it can refuse Government requests to print money to cover the Government's deficit.

Zambia imports S. African diesel

BY PATTI WALDMER IN LUSAKA

ZAMBIA has been forced to arrange emergency imports of some 10m litres of diesel fuel from South Africa to avert an immediate diesel supply crisis which has arisen because the consortium halts new finance for fresh supplies.

Zambia is currently suffering a severe shortage of foreign exchange largely because of falling production of copper, which earns 90 per cent of the country's export receipts. Zambia has recently fallen into arrears on repayments to the International Monetary Fund, following the suspension

earlier this year of the country's SDR 225m (£100m) standby financing facility with the Fund. IMF officials are currently in Lusaka for talks.

Officials said the crucial copper and farming industries were expected to run seriously short of fuel from next week unless emergency imports could be brought in. Some 2.5m litres are due to leave South Africa by road for Lusaka immediately, with the balance to be transported once the initial tanker contingent has returned to South Africa.

Kuwaiti Parliament flexes its democratic muscle

BY KATHLEEN EVANS IN KUWAIT

KUWAIT'S National Assembly, the only elected Arab parliament in the Gulf, has in the past two months become the most popular show in town. The public galleries are packed to capacity for every session with enthusiastic citizens hissing or wildly applauding speeches from the floor.

Before February's elections to the Assembly, the practice of democracy in Kuwait had been a rather sedate affair. Now it threatens to break new ground by introducing a vote of no confidence in a Government minister.

The target for some members of the Assembly is Sheikh Salhan al Dajal al Sabah, Justice Minister. If next Tuesday's no confidence vote is carried, and local newspapers are speculating that it could be, it would represent an event of considerable political importance for the entire Gulf area.

Few citizens in the region ever question the right of ruling families to rule. For a parliament to seek the removal of a minister, nominated by the ruler, is a member of the ruling family, is astonishing even by Kuwait's more liberal political standards.

Sheikh Salhan al Dajal faced an eight-hour interrogation by the National Assembly earlier this week. He was accused of exploiting his office for his own advantage by passing laws from which his immediate family benefited.

In particular, it was alleged that the Minister's 13-year-old son received a cheque for \$4.6m (£3.6m) from the Small Investor's Fund set up to compensate victims of the 1982 Souk al Muna stock market crash. The Minister was also charged with dealing in closed company shares before they became legally available and with not sufficiently safeguarding public funds.

The only elected Arab parliament in the Gulf is packing its public galleries because of efforts to remove from office a Minister who is also a member of Kuwait's ruling family.

Even if next Tuesday's vote does not succeed—and there are already rumours that many MPs will suddenly find urgent business appointments overseas—the minister's position may already be untenable. Indeed, there is speculation that Sheikh Salhan al Dajal may resign before then.

Press reports also suggest that there are three more questions which have been lodged for Sheikh Ali Khalifa al Sabah, also a member of the ruling family and the Minister for Oil and Industry. Among other issues, he is to be questioned on the identity of two Kuwaiti citizens who allegedly benefited from inside information prior to the acquisition of the U.S. company Santa Fe by the Kuwait Petroleum Corporation, of which Sheikh Ali is chairman.

Foreign diplomats in Kuwait are wondering whether the Opposition is embarking on a witch hunt against Government Ministers. Diplomats see significance in the fact that only Sabah family members in the Cabinet have been targeted for the Opposition's scrutiny.

This week's events are not the first sign of difficulty between the Government and the new Parliament. The problems began almost immediately when the question of the Assembly's Agenda came up. The Government insisted that Bills out-

standing from the previous Parliament took priority over those which the new members wished to introduce. Parliament immediately asked why. The matter as to whether parliamentary Bills have equality with government Bills (and by implication those of the Emir) has now been sent to a constitutional court.

One of the most popular groups in Parliament is the Nationalists, made up of half a dozen Kuwaitis known for their sympathies for Arab and Gulf liberation causes. A number of them have in the past even spent time in jail.

Political parties as such are banned in Kuwait, but this group calls itself the Democratic League, and it won its seats on a ticket calling for "justice, democracy, and an end to corruption and the misuse of public funds. This is a direct reference to the huge sums of public money which have been spent by the Government in building out those in the Manah market. The others, equally determined opposition groups, are the Islamic parties, although their commitment to family rule varies from group to group.

Some Kuwaitis are already voicing concern that the pressure could be dangerous for the country's democracy. Parliament was previously suspended in 1975 on the charge of obstructing urgent Government business. However, since that time, the Sabah family has repeatedly reaffirmed its commitment to democracy.

At this week's session, the Crown Prince and Prime Minister, Sheikh Saad al Abdullah expressed concern over the treatment of Sheikh Salhan al Dajal had to endure and called for unity in the nation. The response from the audience was a ripple of applause and a move by deputies for the no confidence vote next Tuesday.

Botha urges unity after poll victories

By Anthony Robinson in Johannesburg

A RELIEVED President P. W. Botha yesterday appealed for national unity to enable the Government to carry on with its task after his ruling National Party (NP) held on to their seats at by-elections in Port Elizabeth and at Harrismith in the Orange Free State.

Although voters rallied around the Government at Newton Park in Port Elizabeth, the right-wing Conservative Party (CP) came a close second in the provincial council election in Harrismith in a seat which hitherto had been an uncontested National Party stronghold. It won 2,637 votes to the NP's 2,584, which led jubilant Conservative leaders to proclaim that the CP was now in a position to win half the seats in a province which has been solidly National Party since 1953.

The rate of defections from the NP in Harrismith stem from a combination of economic and political factors in a conservative rural area where the Government's moves to abolish discriminatory racial laws and its refusal to grant higher maize prices to farmers were key factors.

Over 5,000 maize farmers from all over the country are expected to gather today in Klerksdorp on the western Transvaal, scene of recent strikes and mass sackings in the gold mines, to demonstrate against the Government's pricing and maize price policies in a move reminiscent of European farmers' demonstrations against EEC farm policies.

The Government's decision not to raise maize prices was taken on broader economic policy considerations designed to keep the rise of government spending below the rate of inflation and to phase out subsidies of all kinds.

President Botha was due to meet maize farmers' representatives last night in an attempt to explain the need for lower farming subsidies and head off the risk of a politically damaging shortage of maize, the basic element in the diet of most blacks. The threatened shortage is caused by farmers refusal to sell their maize to the Government-controlled Maize Board silos.

Mr Henrie Nel, general manager of the Maize Board, said yesterday that silos only held white maize stocks for 14 days' supply and would not be able to supply millers beyond that date unless farmers came forth with supplies.

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AMERICAN NEWS

Reagan 'will ignore' court challenge on Nicaraguan embargo

By Robert Graham

PRESIDENT Ronald Reagan yesterday underlined his determination to press ahead with the U.S. trade embargo on Nicaragua by declaring that his Administration would ignore any court challenge to the action in the International Court of Justice at The Hague.

At the same time, the U.S. State Department revealed that plans were under consideration for freezing Nicaraguan assets in the U.S. and restricting travel by American citizens to Nicaragua.

These tough statements in the wake of Wednesday's embargo were counterbalanced by the Nicaraguan President Daniel Ortega's announcement from Belgrade that 100 Cuban military advisers were leaving Nicaragua yesterday, as a gesture aimed at improving the atmosphere in Central America.

The offer to withdraw 100 of the 800 to 1,000 Cuban military advisers was made two weeks ago by President Ortega, prior to the U.S. House of Representatives vote to reject all further aid for the "contra" rebels.

President Reagan, who is in Bonn for the economic summit, said he did not recognise the International Court's jurisdiction in these matters. "It won't make much difference what they (the Nicaraguans) do," he said, "as long as we're going to go ahead with our sanctions."

Last year the U.S. rejected the International Court's jurisdiction when it found in favour of a Nicaraguan complaint over the U.S.-backed mining of Nicaragua's ports.

The idea of freezing Nicaraguan assets in the U.S. was raised by Mr. Langhorne Motley, assistant Secretary of State for Inter-American Affairs. At the

end of 1984 Nicaragua had \$132m (£108m) deposited in U.S. banks. Against this Mr. Motley indicated that U.S. corporations with foreign-based subsidiaries would not be affected by the embargo.

In Washington Congressional reaction has so far been mixed but generally favourable to President Reagan's action. Senate majority leader Mr. Robert Dole said: "It's about time—and I hope it is effective." But Republican Senator Mark Hatfield, a long-time opponent of the President's Central American policy, said: "We are slamming the door on the possibility of peace."

The embargo drew sharp criticism yesterday from Moscow. Several Western countries—notably Canada and Australia—expressed concern over the move. Canada has been seeking to play a behind the scenes conciliatory role in Central America. In Britain the leader of the opposition, Mr. Neil Kinnock, wrote to the Prime Minister, Mrs. Margaret Thatcher, expressing his "grave concern."

Nicaragua's Foreign Trade Minister, Sr. Alejandro Martinez, claimed in San Francisco his country could find alternative markets for the \$57m worth of goods sold to the U.S. He said that Nicaragua had been obliged to turn to Moscow for more economic assistance in January when the U.S. blocked a \$38m loan from the Inter-American Development Bank. These funds were used for fertiliser and essential agricultural material. Sr. Martinez also warned that California, would as a result of the embargo, have to find elsewhere 4m boxes of bananas supplied by Nicaragua at present.

W. Germany in fishing row with Canada

By Our Foreign Staff

A DISPUTE is threatening to blow up between Canada and West Germany over allegations that West German fishing boats have over fished cod stocks off the coast of Newfoundland. Mr. John Fraser, the Canadian Fisheries Minister, has stated in Ottawa that the charge has been investigated and that action is being considered.

The West Germans are alleged to have taken 150m lb of cod just outside the Canadian 200-mile zone on Grand Bank, but within a zone where Canada exercises rights of management. They had already taken the quota to which they are entitled within Canadian waters under the fishing agreement between Canada and the European Community.

In the Canadian view the stocks on both sides of the line are part of the same resource. Before Mr. Fraser's statement yesterday representations had already been made to the European Commission in Brussels.

Most of today's clique of brokerage and trading houses were founded between the wars by Europeans, many of them Middle Eastern. The links of the cocoa grind and shippers, in particular, with U.S. and West European companies remain close.

Twice state governor, the white moustachioed Sr. Magalhães, whose political machine would have made Mayor Daley of Chicago green with envy, is the unquestioned power broker of the north-east. When he turned publicly against his old military masters last year and switched his support to the late president-

Andrew Whitley visits the capital of 'black Brazil'

Pleasant life for some in Salvador

SALVADOR, the balmy, easy-going capital of "black Brazil", that part of the country which draws its roots from African slavery, is a highly agreeable place to live and work—for those who have money.

But for the vast majority who survive, barely, on very little, the charms of its crumbling old churches and fine seafood restaurants hold little attraction. For them Salvador is an overcrowded, crime-ridden centre of disease and filth. Home is often a wooden shack on stilts in a shanty town on the edge of water.

Wealth in this city of 1.8m dominating the magnificent Bay of All Saints on Brazil's north-east coast, has always been concentrated in few hands. First it came from sugar cane, later from other profitable cash crops such as tobacco, coffee and cocoa, and always there have been the traders and brokers, the shipping agents and the family-owned banks who provided the credit so essential for these types of activity.

Cocoa needs its brokers and so does politics, especially in north-east Brazil, a traditional stronghold of the federal government's power. Salvador, or more correctly Bahia state as a whole, is the power base of one of the grand old men of Brazilian politics, Sr. Antonio Carlos Magalhães.

Twice state governor, the white moustachioed Sr. Magalhães, whose political machine would have made Mayor Daley of Chicago green with envy, is the unquestioned power broker of the north-east. When he turned publicly against his old military masters last year and switched his support to the late president-

elect Sr. Tancredo Neves, who was then the opposition presidential candidate and given little chance of victory, the rest of the north-east swung with him.

For his decisive contribution to Sr. Neves' electoral victory the Bahia political boss was rewarded with the job of Minister of Communications. It was an appointment that sat uneasily with the professions of change in the New Republic, the label given to the new civilian era in Brazil.

With the well-fed figure of Sr. Magalhães at their head, droves of politicians have been leaving Salvador and other north-eastern cities, particularly Recife, since the March 15 change of government to take up new posts in Brasilia. The scale of the north-east invasion of the federal capital has even exceeded that of São Paulo, the economic powerhouse of the country.

One undoubted sign of change, in Salvador as well as in the rest of the country, is the intense campaign underway by the prescribed communist parties for their legalisation.

The walls of Salvador are covered with red paint demanding legalisation for the P. C. D. B., the Albanian breakaway communist party in Brazil. Backing up the point, the

evening peace of the Largo do Pelourinho, the historic 400-year old centre of old Salvador, is broken daily by a loudspeaker van blaring out the same message.

Just off the square is the headquarters of one of the oddest of the many odd religious sects—social clubs in this country. They call themselves the "Filhos do Gandhi"—literally sons of Gandhi—and dress up in white turbans and loincloths, in reverence to the Mahatma, to participate in the annual carnival parade.

Gandhi was a pilgrim of peace, this 5,000-strong sect says in explanation of their devotion. What this has to do with carnival in Salvador, which is boisterous, drunken and frequently violent, is hard to follow.

The sect arose in 1949, after a group of laid off dockers meeting under a Mango tree had been to see "Gunga Din", that Hollywood version of Indian history.

Candomblé, the pure African spirit cult which holds Bahia in its sway, is the spice which influences the "Filhos do Gandhi" and many other walks of Brazilian life. Black magic to its critics, Candomblé is a powerful religion to its devotees which claims to protect the individual against daily tribulations.

All the Catholic church can do is try and compete, with its own elaborate ritual and examples of miraculous faith. For many, the focus of that faith is the Nosso Senhor do Bonfim church in Salvador, an unprepossessing looking pile on a small hill.

Founded in the 18th century by a traveller from Europe saved from shipwreck, the church is now a national centre of pilgrimage.

The sick bring waxwork images of the afflicted parts of their body, to leave in supplication for divine mercy—adding their legs, heads or backsides to the large collection of relics already hanging grotesquely from the ceiling of an antechamber in the church.

Those with a particular wish to ask of the divinity wrap a coloured cotton band around their right wrist, to be left on until it drops off of its own accord, when the wish will be granted.

Nor is it only the humble who believe in this amulet's efficacy. A few years ago, at a crucial stage in Brazil's debt negotiations with its creditors, Sr. Carlos Langoni, then central bank governor, could be seen sporting a Nosso Senhor do Bonfim wristband. What the results were for him, and for Brazil, the world's most indebted nation, remains to be disclosed.

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FOCUS ON OVERSEAS INVESTMENT AND CAPITAL EXPORT

MINOLTA CAMERA: Changing The Sales Mix



Mr. Hideo Tashima
President
Minolta Camera Co., Ltd.

Minolta Camera Company faces the constant challenge of coming up with technical innovations for products that are already among the most highly-sophisticated precision instruments in the world. That is especially true of the camera industry, where makers are up against stiff competition in a "mature" market.

Hideo Tashima, President of the company, believes that the market for single-lens reflex cameras—once the mainstay of the industry—can be revived in competition with automatic compact cameras which have swept the market in the past half a decade. Minolta's newest SLR camera, the 7000 system, looks to be the hottest selling new model in the company's long history.

However, Minolta's strategy for the future is to strengthen its business equipment, including copying machines, which last year exceeded cameras in sales for the first time. The company spends about 6% of its sales on research and development. A new product mix is the goal.

Tashima: Last year, for the first time in Minolta's history, sales of cameras were surpassed by the company's business equipment, mainly copiers. As one of Japan's leading camera makers, does that mark a significant turning point? What direction is the company headed in?

Tashima: It's true that plain paper copier sales have exceeded camera sales. In the year which ended March 31, about 54% of sales were in business machines, and 46% in cameras. But that doesn't mean we are neglecting cameras. It is simply that the growth rate of our copier business has exceeded that of cameras. However, we have grown more and more confident that SLR camera sales will expand after having been stagnant. That expansion will come because we are trying hard to make products that are attractive to high-tech oriented consumers. In the long run, plain paper copiers will outpace cameras while we concentrate on other lines of business.

Tashima: What about the camera industry itself?

Innovations

Tashima: You probably already know this, but almost 90% of all the households in Japan already own one or two cameras. The ownership level in the rest of the world is also high, especially in the U.S. and Europe. Although cameras are already a mature industry, we can still expect steady growth in sales if constant efforts are made to introduce innovations. Dividing the market up, the single-lens reflex camera market has been stagnant for the last

five years. Why? Mainly because of competition for 35 mm compact cameras. That's where sales have gone. Compact cameras are easy to use. Compact cameras have been engineered to offer auto-focusing, auto-flash, auto-winding. People want such innovations in SLRs, too.

Tashima: Yes, but among camera makers and dealers, there is a growing realization that in order to promote the real enjoyment of photography, we all have to work together to promote SLRs.

Tashima: So you think there is still room for stimulating demand for SLR cameras?

Tashima: The SLR is still the key to bringing back demand. Take the camera we have just introduced, the ultra-fast auto-focus Minolta 7000. It is probably the camera of the era. This new camera will lead an upswing for the SLR. Technical innovation is the number one factor.

Tashima: Is innovation more important than price?

Tashima: I think so. We are creating a new atmosphere for the camera market. We are offering the same ease of use as the 35mm automatic compact cameras. Lenses can be used interchangeably without changing any settings. Judging from the market reaction to the 7000 system so far, rather than high-prices holding back SLR sales, we think that sales were stagnating simply because new and better products weren't available. The 7000 has many features, and it is a highly sophisticated camera in which some of the more critical operations have been automated and made more mistake-proof.

Tashima: How many do you expect to sell?

Hottest Product Ever

Tashima: We had projected sell-

ing about 30,000 in the first month when introduced earlier this year. As it turned out, the demand was more than twice that.

Tashima: How does that compare with Minolta's other best-selling camera models?

Tashima: This is the hottest new product in our entire history since 1928 as a camera maker. Our biggest hit.

Tashima: So you have turned the corner on SLR cameras?

Tashima: It is too early to tell. We won't know until the end-of-the-year figures are in. There will definitely be others who will follow us into the market.

Tashima: What is Minolta's philosophy on research and development for new products?

Tashima: We spend around 6% of our sales on R&D. Both basic and new product research. Within the basic field, the main theme is on the development of electronic devices, particularly integrated circuit. We are geared up to do experimental production of ICs. On a limited scale, we can produce ICs specifically for our products. We also concentrate on such areas as optical

technology, new materials, and pollution-free photo-conductors for copiers. As far as new products, we are developing laser printers, liquid crystal display printers and ink-jet printers. Also light measuring instruments, word processors, video systems and micro-photographic equipment.

Tashima: How will the product mix change, percentage-wise?

Tashima: Aiming at 1989, four years from now, we think that the share of sales taken by other products like video camera equipment, light measuring equipment, micro-photographic equipment, printers, word processors and IC related products should take up about 15% of our sales. By that time, about 50% of our sales should be in copiers, and 35% in cameras.

Tashima: Overseas sales for Minolta are very important, taking up about 83% of sales both in cameras and copiers. Did you plan on becoming so dependent on international sales?

Tashima: It happened naturally, mostly because our sales style doesn't make a distinction between the Japanese market and overseas markets. We try as hard in other markets as we do in Japan. Our sales strategy is to really penetrate the market in each country.

Tashima: How did you get involved in export sales? How extensive is your sales network?

Tashima: Historically, our first overseas sale in fact was an order from South Africa. Now we have 18 sales subsidiaries abroad, and one manufacturing venture in Malaysia to assemble cameras.

Tashima: What about trade friction? Is that a reason for you to expand your production overseas?

Tashima: Fortunately, we don't have any problems with trade friction in any of our product lines, cameras or copiers.

Tashima: What conditions would be required to consider producing in Europe and America?

Overseas Production

Tashima: The first condition is that the market has to be big enough to absorb local production. Our precision products also require highly skilled labour. The country has to provide an open environment, one that welcomes foreign investment. Political stability is also crucial. We can't have tax policies changing from day to day. Investment incentives are important. Even being able to get visas for our own engineers. Having high-quality local parts suppliers is a plus.

Tashima: How do you view competition from newly industrializing countries, those with cheaper, high-quality labour like South Korea and Taiwan?

Tashima: They will be competitors, but there is still a wide technology gap. They are about ten years behind Japan, particularly in the areas of cameras and precision equipment. They will have to be equipped with the ability to combine a number of technological areas in order to make competitive products.

Tashima: For the time being, you say you don't have plans to move more of your production overseas. What kind of international financial strategy do you pursue?

Tashima: Developing advanced technology products requires a lot of funds. For example, the company has invested an average of yen 12Bn annually in plant and equipment in the past few years. That investment has been financed through our internal resources. However, we are always looking for opportunities to raise stable, long-term, low-cost funds in international markets.

Tashima: Does Minolta have any particular management style?

Tashima: I try to make decisions by consulting among our managers. They are responsible for their own divisions. I wouldn't call it a consensus approach as such. We just talk about the best solutions to achieve goals. My role is to keep up morale and make the work place a happy one.

Tashima: What kind of goals does Minolta have over the next five or ten years?

Tashima: We do have a five-year plan. That aims at a stable rate of sales growth of about 15% to 20% a year.

Tashima: Just one more question about the future of cameras. Will new technology succeed in producing a new generation of cameras?

Tashima: There will definitely be a new era of electromagnetic photography. We are working on it side by side with traditional cameras. However, the traditional cameras will continue to be important even when the electromagnetic camera becomes a reality.

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WORLD TRADE NEWS

Italy strengthens hi-tech defence links with India

BY JOHN ELLIOTT IN NEW DELHI

ITALY'S position as a major supplier of high technology and other equipment to India has been strengthened this week with the signing in New Delhi of a memorandum of understanding between the two countries on research and development for electronics defence products.

No major defence sales are imminent. But Italy is specially interested in radar sales from its Selenia company and the agreement, which lasts for five years, gives it a springboard.

France signed a memorandum with India two years ago on defence sales and technical collaboration but the UK has so far failed to clinch a similar arrangement.

A government-to-government understanding exists between India and Russia, the country's

major defence supplier. Defence sales are also covered by an understanding on high technology with the U.S.

The agreement with Italy has been signed at a time when business relationships between the two countries are politically sensitive.

Mrs Sonia Gandhi, wife of the Indian Prime Minister, is an Italian, and for some years there have been constant allegations from other countries that the "Italian connection" helps companies from Italy to win contracts.

Snamprogetti, the contracting wing of ENI, Italy's state-owned energy corporation, has won technical collaboration agreements in various areas.

The most contentious has been its success against international competition for six

large fertiliser plants being built on a 1,200-mile cross-country pipeline.

Ministers have recently had to defend those contacts in the Indian parliament after fresh controversy over the construction of the pipeline itself.

Snamprogetti argued strongly that the pipeline should be built on a turnkey basis, not piecemeal contracts which were being favoured by the Indian Government.

It backed its arguments with a \$736m (£636m) turnkey bid which it later reduced by \$100m.

Last month, the Government decided to abandon piecemeal contracts for building the pipeline and invited composite bids.

This has led to suggestions—officially denied—that it wants Snamprogetti to win.

Wholesale price of Mercedes cut in U.S.

By Kenneth Gooding, Motor Industry Correspondent

DAIMLER-BENZ of West Germany has effectively reduced the wholesale price of Mercedes cars sold in the U.S. by 3 per cent—an unprecedented move by the group.

The "temporary allowance" covers all the 10 Mercedes models on sale in the U.S. but is clearly designed to give dealers more scope to sell diesel-engined cars following the sharp drop in demand for this type of vehicle.

The allowance, equivalent to a rebate of 3 per cent on all models, enables reductions of between \$550 and \$1,265 (£1,137) to be made in the Mercedes range. Retail prices, however, have not been altered and are from \$22,850 to \$56,800.

Mercedes-Benz of North America said that the allowance would give dealers more leeway in selling cars but insisted there were no large stocks of Mercedes cars to be shifted. A date for ending the allowance had not yet been fixed.

The company expects to sell about 85,000 Mercedes in the U.S. this year, compared with 79,222 in 1984.

Mercedes has also recently reacted to competitive pressures in the U.S. by reducing the retail prices of spare parts by 10 per cent.

Sanctions—a double-edged weapon

BY CHRISTIAN TYLER, TRADE EDITOR

TRADE SANCTIONS of the kind launched on Wednesday by the U.S. against the left-wing Sandinista Government in Nicaragua have a habit of proving a costly and embarrassing failure.

Post-war history shows that they may succeed in hurting the target country's economy, at least temporarily, but usually at the cost of equal damage to businesses and traders in the countries trying to enforce them.

An attempted embargo may be a dramatic, even punitive, sign of political displeasure, but as a way of furthering foreign policy, or even strategic, objectives it has not in modern times proved effective.

According to a study of trade sanctions by the European Parliament, target countries cannot be persuaded by external economic pressure to make any radical change in their policies.

Indeed, the usual result is to harden attitudes, strengthen national solidarity and even to stimulate domestic industry, as the prolonged embargo of Rhodesia (now Zimbabwe) demonstrated.

Trade sanctions, to be successful, have to be applied suddenly, enforced strictly and supported by all the trading partners.

The target country must also be highly dependent on the embargoed trade, and unable to inflict retaliatory damage.

In Nicaragua's case, some—but not all—of these conditions may be met. Even before the

U.S. decision was announced, the Soviet Union had reaffirmed its readiness to give Nicaragua economic and diplomatic support. That implies that the Comecon countries, quite apart from any Western nations, will move in to fill the gap.

The most celebrated recent example of trade sanctions imposed for foreign policy reasons was the U.S. embargo of equipment for the Siberian gas pipeline, in response to the introduction of martial law in Poland in December 1981.

The embargo undoubtedly set back the pipeline project, although the full extent of disruption inside the Soviet Union will presumably never be known.

Its consequences for the West were little short of disastrous, creating a political rift among the Nato allies and a loss of business for U.S. companies.

In that case, political objectives became overshadowed by wrangling among the Nato allies. The U.S. demanded that European companies, mainly from France, Italy and the UK, should cancel existing contracts because their equipment contained U.S. technology.

The lingering jurisdictional dispute led the British Government to pass a measure virtually instructing UK groups to carry on supplying the pipeline.

A previous U.S. grain embargo against the Soviet Union in 1980, imposed in protest at the invasion of Afghanistan, also failed when Argentina refused to comply and replaced some of the missing imports.

'An attempted embargo may be a dramatic sign of political displeasure, but as a way of furthering strategic objectives it has not in modern times proved effective.'

Canada and Australia also continued to supply existing contracts. That embargo cost the Soviet Union about \$1bn (£626m), the price it paid for subsidising imports. But it also cost Washington about the same to buy up its own farmers' grain surpluses.

Attempts to secure the release of the U.S. hostages held in Iran by economic pressure in the same year probably had little direct impact. EEC exports to Iran more than doubled in anticipation of the ban between January and May 1980, and continued to rise—but by under 10 per cent—during it.

Some U.S. goods found their way in via the United Arab Emirates, and Iran struck a number of deals with the Soviet Union, India and Turkey. In the end, according to the European study, the war with Iraq and the freezing of Iran's overseas assets that helped to get the American hostages released.

The most concerted embargo of recent years was that imposed against what was then Rhodesia, in an effort to force

Mr Ian Smith's regime to accept independence under black majority rule. Major oil companies, including BP and Shell, broke the oil embargo while South Africa and Portugal with her colonies of Angola and Mozambique kept other essential supplies flowing.

Until a recession in 1975—the embargoes were tightened progressively from 1965 and were lifted in 1979—Rhodesia's GNP grew at a real rate of 6 per cent a year, employment grew, and industrial development was stimulated to the point where the country was supplying some 80 per cent of its own needs.

Again, lack of cohesion has rendered the Arab boycott of Israel and of companies supplying Israel a boycott in name only. First imposed in 1948, and relaunched in 1973, the boycott has never been consistently applied. European MFAs noted that "self-interest and pragmatism tended to prevail over anti-Zionist ideology" at least when it came to black-listing companies that did business with Israel.

The solidarity problem was also the reason for the repeal in 1986 of a three-year Nato embargo on the sale of steel pipes to the Soviet Union, a decision taken for strategic rather than humanitarian reasons.

Sweden and Japan promptly moved into the market, while the "brunt of the commercial damage was sustained by one Nato partner only, West Germany."

Canadian industries may win market-share pledge

BY OUR OTTAWA CORRESPONDENT

THE Canadian Government, under pressure from mounting imports, is moving towards domestic market share guarantees for the country's traditional industries. Industry Minister, hinted yesterday.

The textile and apparel industries, whose domestic market share on a total fibre basis has sunk steadily to about 40 per cent since 1980, have asked the Government for temporary global quotas on garment imports from low-wage countries under Article 19 of the General Agreement on Tariffs and Trade (GATT).

They argue that the request is justified by the failure of Canada's 1981 bilateral restraint agreements with 21 exporting countries to prevent major disruption in the domestic market.

Both the Canadian and U.S. textile and garment manufacturing industries are pressing their Governments to seek a toughening of the Multifibre Arrangement (MFA), when negotiations for its renewal start this summer. But the Canadian industries say they cannot wait for the MFA talks to be completed and need temporary global quotas now.

PROFILE: DR CLAYTON YEUTTER

Human dynamo who will hit the ground running

BY NANCY DUNNE IN WASHINGTON

FOR MONTHS before President Ronald Reagan asked Mr. Bill Brock, his Trade Representative, to take on the job of Labour Secretary, the word circulated in Europe that Mr. Brock's successor would be Dr. Clayton Yeutter, 54, President of the Chicago Mercantile Exchange.

Whether the source for the rumours was Dr. Yeutter himself was never clear, but associates say he has talked openly for some time of his eagerness to serve in the job.

Certainly, if he could have set out to gain the position from birth, he could hardly have chosen a more suitable career path.

He has taught, farmed, practised law, negotiated in various capacities, and, over the past seven years, presided over the explosive growth of the world's second largest futures market.

He served as deputy Special Trade Representative in President Gerald Ford's Administration, and, having held two Assistant Secretary positions in the Department of Agriculture, is well qualified to take up with the EEC the thorny issue of agricultural export subsidies.

An April 2, President Reagan gave him the job which brought him at last to Cabinet rank. His first action was to call his mother in Nebraska to give her the news.

Instead of bearing her congratulations, he said later that his mother had asked sceptically: "How long is this job going to last?"

The appointment was greeted with more enthusiasm in U.S. political circles, where he is universally described as a "tough, knowledgeable negotiator," who will, in the words of Mr. Larry Speakes, White House spokesman, "hit the ground running."

With the mounting U.S. trade deficit threatening the health of the economy and a controversial new round of multinational trade talks looming, he will have to lose no time in making his presence felt.

Dr. Yeutter has his strong admirers in the international community but among some he had a reputation in the 1970s as "inclined to bang the table a bit."

But there would be nervousness anyway about any successor to Mr. Brock at a time when trade wars are threatening on every front.

Journalists who have covered Dr. Yeutter's activities over the years say he can indeed be blunt. An aide at the mercantile exchange acknowledged: "He is accused of not being tactful, but he's a busy man. He moves quickly. He doesn't waste his time with unnecessary rhetoric."

Dr. Yeutter, who is expected to be confirmed in his new post



Dr. Clayton Yeutter

next month, told the New York Times that his views are in line with the President's on free trade. "But with a recognition that the trade has to be a level playing field."

Everywhere, Dr. Yeutter is spoken of as a "whirlwind" of energy who rushes around the world from one meeting to another without showing any strain—and then walks for relaxation.

Mr. Don Nelson, Assistant for Agricultural Affairs and Commodity Policy at the Trade Representative's office, said Dr. Yeutter was "a dynamo" very demanding of himself and of others... always well-prepared and thorough.

His style and Mr. Brock's are more alike than they are different, Mr. Nelson said. "Neither is a blusterer. Both are thoughtful and respectful of the views of the other side."

His associates all describe Dr. Yeutter as highly intelligent. "He's probably the only man I know who has received both a Ph.D. degree in agricultural economics and a law degree at the same time from the University of Nebraska," said Mr. Ron Frost, vice-president of commodity marketing at the mercantile exchange.

White House officials stress his experience in agriculture. In 1974, he was co-chairman of the Joint American-Soviet Committee on Agriculture which negotiated agriculture exports to the Soviet Union. A year later he was in charge of the talks to end the "Cheese War" with the EEC.

"That was the first time in Common Market history that they agreed to withdraw some of their agricultural subsidies," Dr. Yeutter said.

"It made some of the Common Market's Agricultural Ministers very unhappy. Many of them were wondering how they will fare now, with formidable an advocate of U.S. interests."

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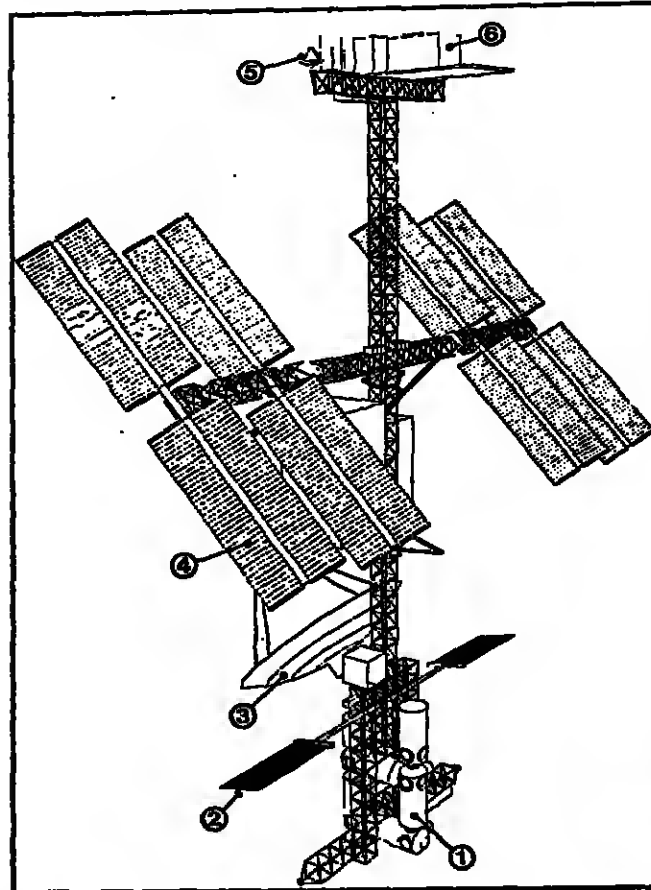
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TECHNOLOGY

The down-to-earth benefits from living in space

The international effort to put the world's most technically advanced manned space station into orbit in 1994 will have important spin-offs for Earth. Peter Marsh reports in the second of a two-part series.



1. Living units. 2. Radiator. 3. Communications. 4. Solar panels. 5. Docking module. 6. Scientific instruments.

THE U.S. National Aeronautics and Space Administration plans to hand out \$3.2m to the food industry to tempt companies to devise tastier meals for astronauts.

Nasa engineers are discussing with several companies ideas for making meal times in space "something to look forward to," in the words of Mr Chris Perner, head of the manned systems division at the Johnson Space Center in Houston.

The work is part of the Nasa effort to prepare for the \$12bn manned space station, due to be built mainly by the U.S. but with help from Western Europe, Japan and Canada. On the orbiting base, which should be in place by 1994, astronauts will live and work for three months at a time.

It will be a far cry from current U.S. space missions, in which people enter orbit aboard space shuttles for no more than 10 days.

"On long-duration flights, food ought to be really enjoyable," said Mr Perner. "We have got to make life more comfortable for astronauts. Up to now, going into space has been like taking a camping trip."

As part of the food studies, Nasa is talking to companies such as General Foods, Beatrice and Coca Cola about new techniques to preserve meals and to ensure they can be eaten without difficulty in the zero gravity of outer space.

Among the techniques under consideration are gas-packing and irradiation to keep fresh for extended periods items such as fruit and vegetables.

Workers at Nasa are also

examining new forms of kitchen appliance suited to a space base, for freezing or cooking food. General Electric and Whirlpool, a maker of Earth-bound food equipment, have both said they may be interested in redesigning their products for space.

Nasa intends to award contracts worth \$3.2m this autumn under which companies would have two years to come up with new ideas both for foods and kitchen hardware.

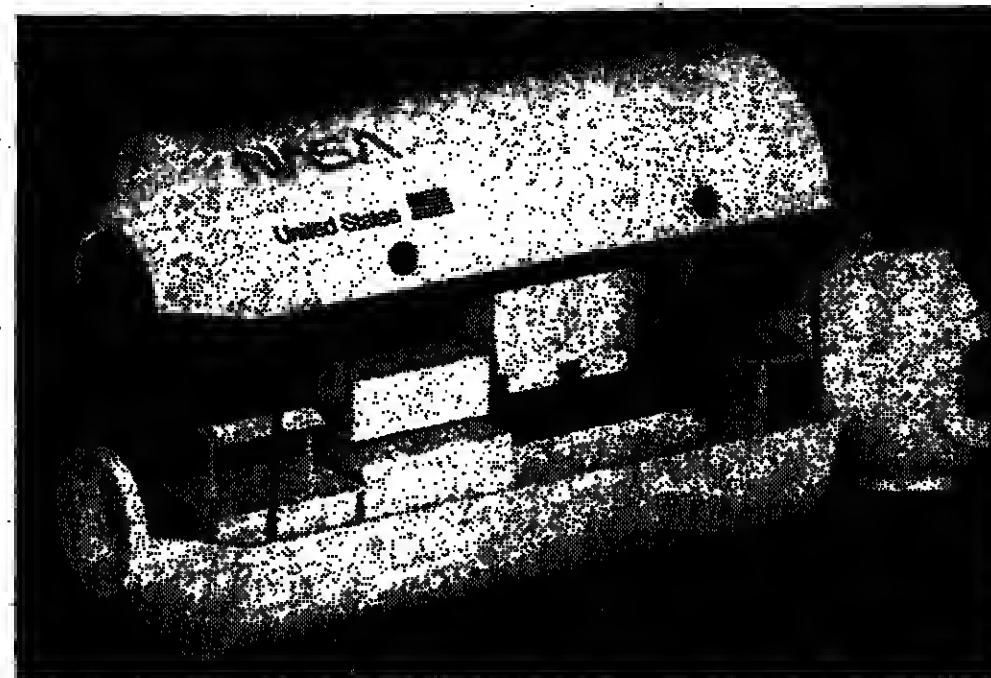
Early astronauts had to make do with liquidised meals, like baby food, that were squeezed out of tubes. Today's shuttle crews have a range of freeze-dried meals that can be eaten in relative comfort.

The astronauts rely on the natural "stickiness" of foods that keeps the material in place on a fork or spoon without it floating around the crew quarters. Drinks can be consumed using a can that crumples up like an accordion, so forcing the liquid into the space farer's mouth.

But the eating arrangements still leave much to be desired. Most food is consumed cold. Recent shuttle flights have incorporated a galley with a rudimentary oven that warms food by resistive heating — but the device is inefficient and takes a long time to heat up.

Mr Perner plans to devise a more efficient oven, possibly using microwaves, that will allow crews on the space station to cook a roast meal.

On the U.S.'s space shuttles refrigerators are frowned on. The weight of their compressors



Model of a living unit showing the astronauts' box-like sleeping cells.

and insulation increases the mass that must be injected through the atmosphere into space, so adding to the shuttles' fuel costs.

Nasa engineers want companies to find new, light-weight materials that could form part of space refrigerators. The research could also provide new designs of appliances for earth-bound kitchens.

Boiling water in the unusual conditions of an astronaut's crew cabin presents a special problem. Steam would add to the moisture that has to be removed from the air inside the quarters by an environmental control system.

On current shuttle flights, therefore, astronauts have to be put up with lukewarm tea.

For the 1990s, designers may be able to fashion an enclosed kettle system that traps steam and condenses it back to water.

Other subjects related to the space station under examination by Nasa's manned system division include:

● Design of living quarters. Preliminary plans for the space station call for two accommodation units for astronauts, both about 10 metres long and four metres in diameter.

In the units, which would be pressurised and provided with oxygen and nitrogen that is continually recycled, astronauts would be given individual "cells," measuring some two metres by one metre by one metre, to provide a semblance of privacy.

The walls of the cells, into which the station's occupants would retire for the night, could be made of panels of fabric or light alloys that the astronauts could switch over easily, to provide for a change of colour.

Grumman, Northrop and Boeing are among the aerospace companies working with Nasa on cell design.

● Leisure activities. Nasa planners want to minimise the chances that astronauts will suffer from tiredness or fatigue.

Crew members will probably each be given a computer terminal to play games. Video images will be transmitted as coded signals from Earth so that the station's occupants can watch their favourite plays or TV shows.

● Keeping fit. Nasa engineers are talking to Nautilus, a U.S. manufacturer of exercise equipment, about the design of hardware such as running machines with which astronauts could keep in trim.

Hardware such as exercise bicycles could be linked to a video screen so that the person in space gains the impression that he is cycling through some

favoured place, the back streets of Paris for example.

● Toilets. On the shuttle fleet, Nasa uses what are popularly called "dry Johns." Fecal matter is shredded and stored in dried form, while urine is pumped into tanks. The waste is later shipped to Earth.

But on a space station, this approach would be costly and take up valuable storage space. So engineers will attempt to develop a "closed-loop" toilet system in which as much as possible of waste materials are recycled to useful substances, for example, drinking water or oxygen.

A third possible stance on toilet designs, adopted by the USSR in its series of Salyut space stations, is to let urine be periodically in canisters or bags. The objects, known as space honeypots to the U.S. Air Force officials who monitor them with high-accuracy radar instruments, eventually fall into the atmosphere and are burnt up.

Space honeypots are disapproved of by Nasa engineers. They could contaminate the near vacuum around the space station, interfering with scientific experiments.

● Washing facilities. Having a shower in space presents obvious problems—without special care, the water globules may drift all over the living accommodation. People on shuttle flights normally use sponges to keep clean.

For a spell of three months, something extra will be required. Nasa engineers are working on vortex generators to force jets of water from a shower onto an astronaut's body and then off surfaces, which will have to be kept dry for hygiene reasons.

Nasa workers are considering similar techniques for space-based dish and clothes washers. On previous missions, dirty kitchen receptacles and clothes have simply been stored after use. Shortage of warehouse room makes this impracticable for a long mission.

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Manufacturing Summit dates fixed

THIS YEAR, IFS Conference of Bedford has amalgamated what were in previous years five separate manufacturing meetings into a single Advanced Manufacturing Summit to be held at the Hotel Metropole, Birmingham, on May 14-17.

Delegates, instead of spending up to 20 days attending the five conferences, will be able, under one roof, to listen to speakers of their choice in the areas of assembly automation, the automotive industry, robotics, materials handling and automated manufacture. Technology, economics, human factors, training and safety will all be covered.

More from IFS at 25 High Street, Kempston, Bedford on 0234 553665 or telex 825428.

Chip tester

BRITISH TELECOM this week announced an advanced commercial system for testing microchips.

Based in Birmingham, the service is offered by BT's Materials and Components Centre and features a SENTRY/ Schlumberger Series 30 Linear/analogue tester, the only one of its kind commercially available in the UK.

It is able to test linear and mixed linear/digital devices such as integrated circuits, filters, tone generators, diallers, modems, comparators, operational amplifiers and digital to analogue converters.

More details on 021-772 2361.

Fire guard

FIRE FIGHTERS may be able to respond more effectively to emergencies with a computerised communications system from Dowty Electronics of Chippingham, England. The E-CAT system links a fire base to the public telephone network or to private radio hardware carried by crews on fire appliances.

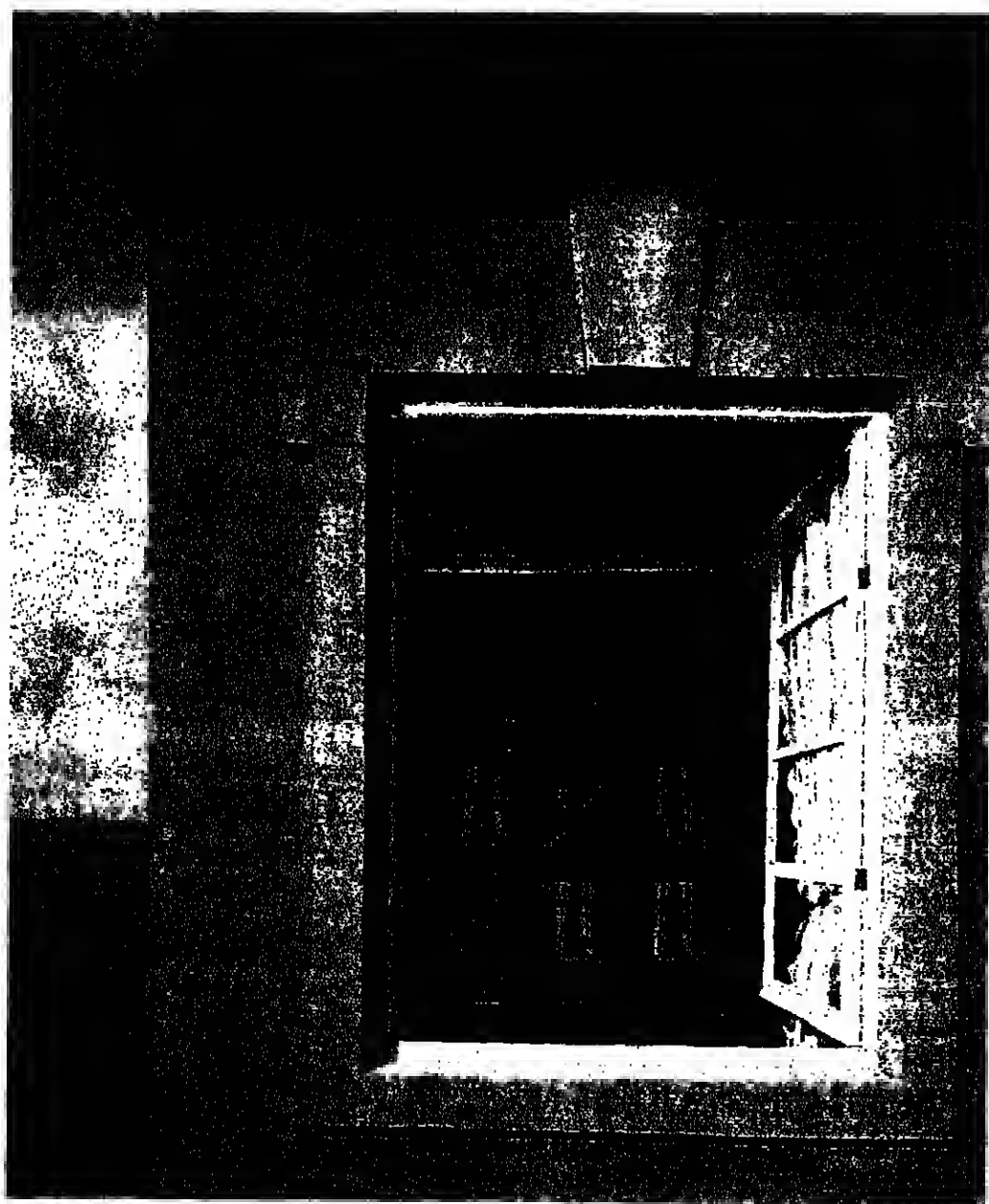
The computer stores information of about 50,000 locations which might be the site of fires. Details about these sites can be called up on a screen to permit an operator to find the most suitable crew to deal with an emergency at a specific building.

In the pipeline

PIPELINE Induction Heat of High Wycombe, England, is to develop new kinds of coatings for oil pipelines under contract to Texas Eastern North Sea, the UK subsidiary of a Houston-based oil company.

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Mr D H Henderson: Main Board Director, Imperial Chemical Industries plc

University and Contract Research Facilities

Professor J Ashworth DSc FIBiol: Vice Chancellor, Salford University

Professor J Dinsdale: Professor of Machine Systems, Cranfield Institute of Technology

Collaboration with Other Companies

Mr J M Watson: Technical Director, International Computers Ltd

Summary of Day's Proceedings

Dr Duncan Davies CB, FI Chem E, former R&D General Manager ICI Plc and Chief Scientist and Engineer at the Department of Trade and Industry will lead a discussion on the day's proceedings.

For Further Information, contact:
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The seminar is sponsored by Deloitte Haskins & Sells High Technology Group in conjunction with Science Technology Industry Link-Up Magazine.

SCIENCE TECHNOLOGY INDUSTRY LINK-UP

UK NEWS

Foreign reserves rise by \$497m

By Anatole Kalotay

BRITAIN'S foreign exchange and gold reserves rose by \$497m to \$14,058m in April. This was the largest monthly increase for over four years.

It suggested that the Bank of England has continued to take advantage of the recent strength of sterling to recoup some of the foreign exchange spent in defending the currency earlier this year.

The underlying reserves - after deducting the effects of borrowings and repayments by public corporations and repayments in the Government's holdings of gold and European monetary co-operation fund swaps - increased by \$191m in April.

This compares with a rise of \$259m in March, after a period of significant falls in the underlying reserves as the Bank of England was forced to intervene in the exchange markets to prop up sterling. Although the Treasury warned yesterday that movements in the underlying reserve figures should not be taken as an indication of foreign exchange intervention during the month, market operators have been reporting regular purchases of dollars by the Bank of England since the sharp fall in sterling was reversed in February.

The rate of new issues on UK stockmarkets was a record £1,099m last month, surpassing the previous record of £844m set in March.

The Bank of England reported yesterday that rights issues in April amounted to £399m and other new issues came to £130m.

Net new issues, after £70m of capital redemptions came to £1,029m, and listed UK public companies accounted for £389m of this figure.

Among the capital raising exercises which contributed to last month's records were large rights issues by Trafalgar House, United Biscuits, Fisons, Tesco, Bank of Scotland and Saatchi & Saatchi.

Walker presents alternative political strategy

BY PETER RIDDELL, POLITICAL EDITOR

MR PETER WALKER, the Energy Secretary, last night presented an alternative political programme which highlights his differences with the priorities and strategy of Mrs Margaret Thatcher, the Prime Minister, and her Cabinet allies.

Mr Walker was careful to avoid any specific criticism which could be construed as disloyalty and which could undermine his Cabinet position. But his tone and emphasis were markedly different from those of, for example, Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Norman Tebbit, the Trade and Industry Secretary.

In particular, Mr Walker said he did not share the "common belief" that it is the service sector which is the area of great growth and that manufacturing will continue to decline.

He stated that "a substantial reduction in unemployment can and must be achieved." This contrasts with the detachment of the Treasury, which admits of no government responsibility for the level of unemployment.

Mr Walker also urged the need "to tackle the exchange rate chaos" and argued that the unfettered market economy was only a partial view of freedom.

The Cabinet met earlier yesterday to reach outline decisions on the reshaping of supplementary benefit and child benefit during a discussion of proposals from Mr Norman Fowler, the Social Services Secretary, for a far-reaching review of the social security system.

Discussion of changes in housing benefit was apparently not completed. The most complicated and potentially most controversial issue - the future of the state-earnings related pension scheme - was not reached.

Ministers hope that decisions will be completed at next Thursday's Cabinet meeting in time for publication.



Mr Peter Walker

tion later this month of a discussion paper on the main options and the Government's broad preferences. Legislation is intended in the next parliamentary session.

Elections were held yesterday to the 47 English and Welsh county councils - the top tier of local government outside the big cities.

The elections to these councils were the first since 1981, when the Labour Party made sweeping gains.

Labour was seeking to hold these gains and to show that its recent recovery in the opinion polls - which now give it a lead over the Tories - could be reflected in votes.

The Conservatives were seeking to recover the seats lost in 1981. Its share of the vote then was 40 per cent, compared with Labour's 35 per cent and the Liberal Party's 18 per cent (the Conservatives traditionally have strong support in the counties).

About half of the electorate was eligible to vote yesterday, but it was expected that the turnout would be only about a third of this, or 8m to 9m people.

BL to re-enter U.S. car market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, the car subsidiary of state-owned BL, has linked with Norman Braman, a Florida car dealer, and owner of the Philadelphia Eagles football team, to tackle its re-entry to the U.S. market, according to the Detroit-based Automotive News.

The British company is moving back into the U.S. with the XX, the executive car jointly developed with Honda of Japan. It

should go on sale there in 1987. The Automotive News story which is being followed by Austin Rover, which is to announce its plans in New York next Wednesday having postponed the announcement for more than a month.

Austin Rover's U.S. distributor has approached some dealers to see if they would be interested in the franchise, and details were leaked to Automotive News, which has close contacts with the U.S. dealer community.

The magazine also revealed that Austin Rover has hired Mr Raymond Ketchledge, 42, to be president of its own U.S. company. He has been 18 years with VW of America, latterly as director of product planning. Automotive News also suggests that Austin Rover has decided not to use the Rover name for the XX in the

U.S., where instead it will call it the Vitasea.

The Honda version of XX will be unveiled at the Tokyo Motor Show in the autumn and eventually will be sold in competition with Austin Rover's model in the U.S. Austin Rover is expected to launch its XX as a replacement for the Rover SD 1 saloon early next year.

Sharp rise recorded in merger activity

A SHARP RISE in the number of corporate mergers in 1984 is disclosed by the Office of Fair Trading (OFT), which is responsible for scrutinising all large mergers in the UK.

There were 259 mergers examined by the OFT last year compared with 192 in 1983. This was in spite of a change during the year in the rules determining which mergers should come under OFT scrutiny.

From last July, the OFT only considered mergers where the assets in the company to be acquired were above £30m. Previously, the threshold level had been £15m.

The OFT has recalculated the number of mergers since 1980 under the new £30m threshold. This shows that merger activity last year grew by an even faster rate than under the old financial limits.

In 1984 there were 223 merger proposals where the assets involved in the acquired company were more than £30m, compared with 129 in 1983. This represented a rise of 73 per cent.

The total value of the assets acquired last year was £280m, compared with £45.5m in 1983.

According to the OFT's analysis, there was a sharp rise in merger activity involving companies with assets of between £500m and £1m. There were 14 such merger proposals in 1984 compared with only two the previous year. The average size of company taken over also rose significantly from £2.5m in 1983 to £3.8m in 1984.

The distribution sector saw the highest number of merger proposals last year with 31 being scrutinised.

PROSPECT of an economic accord between the union movement and the future Labour Government would become reality only if the unions were prepared to compromise, Mr Roy Hattersley, deputy leader of the Labour Party said.

Addressing the conference of the Civil Service Union, he said, that progress "will only come about with an end to confrontation and with a new era of conciliation, consultation and, where necessary, compromise."

BROOKE MARINE, the small shipbuilding yard in Suffolk, on the east coast of England is to be sold to members of its management, by state-owned British Shipbuilders for a price consisting of £100,000 in cash plus 1 per cent of certain contracts won in coming years.

The unusual nature of the deal reflects both the low level of the current order book and the yard's hopes of obtaining export contracts for its small naval vessels.

The yard was the first to be formally put up for sale through Leazards merchant bank under the Government's policy of selling back warship yards to the private sector. It employs around 600 people and made a trading loss of £1.6m in the financial year to March 31, 1984.

Exchange to modify reform proposals

By John Moore, City Correspondent

THE STOCK Exchange is to abandon one part of its controversial proposals for major structural changes in the market, in order to gain the support of the 4,500 members on key reforms.

A proposal which would have restricted individual shares in the stock exchange itself to a top limit of £2,000 is to be dropped.

The proposals formed part of a plan to permit outside financial groups, such as banks, to take full control of stockbrokers and stock-jobs. A meeting is to take place on June 4 of the 4,500 members to vote on a package of constitutional changes which will allow outsiders into the stock exchange.

Many small brokers are angry that outsiders could gain entry to the stock exchange's assets at too low a price. The exchange devised a compromise solution to compensate existing members for admission of outsiders.

A market is to be created in the shares of the stock exchange itself. Each member would hold five shares. Under a proposed formula, which has now been abandoned, the market value of the shares would have been limited to £2,000 each. Small brokers regarded this proposal as unfair.

But in an effort to win over the membership the stock exchange has dropped the plan and there will be a free market in the shares, which will find their own value. The large security firms will have to hold a minimum of 50 shares in the stock exchange.

Already, there has been speculation in the market that the price of individual shares could soar as a result of the stock exchange's move. But the stock exchange will still retain the right to issue shares in the future.

St Nicholas Goodison has been holding a series of meetings of London firms this week at which he has been attempting to gain the support of the membership for the changes. Earlier this week he indicated that the rules under which dispensations would be granted allowing small brokers to hold fewer than 50 shares would be eased.

Toyota Spacecruiser imports halted by transport ministry

BY JOHN GRIFFITHS

THE DEPARTMENT of Transport has ordered Toyota's seven-seater Spacecruiser "people carrier" to be resubmitted for UK vehicle type approval, after allegations over its safety under braking.

In the meantime, the department is withholding approval certificates without which no further Spacecruisers may be imported.

The action follows complaints from the Consumers' Association that the vehicle's brakes were potentially dangerous and criticism by a motoring magazine of some aspects of its road-holding and handling.

Toyota (GB), the Inchcape Group-owned importer of Toyotas to the UK, has already announced a recall of the 2,200 Spacecruisers already in use for what it describes as a "minor modification" to the braking system.

Barratt cuts timber-frame construction

By Joan Gray

BRITAIN'S biggest housebuilder, Barratt, is to stop building timber-frame houses in all but the north-east of Scotland.

The decision has been taken as a result of continuing consumer resistance to houses built by this method, largely stemming from criticism in a controversial television programme last year.

Mr Robert James, Barratt's finance director, explained the decision had been taken even though "we think timber-frame is a better product because of the higher standards of insulation it can achieve. But we are discontinuing it except in the north-east of Scotland - the area round Aberdeen, where it has been the traditional method of building for 25 years - because you have to respond to consumer demand."

At its peak, timber-frame construction accounted for 48 per cent of all houses built by Barratt. The figure has now slumped to 15 per cent and will fall to 10 per cent.

In England, the company will return to the more traditional building method, using bricks and blocks and cavity walls.

Budget fears prompted pensions sales boom

BY ERIC SHORT

PRE-BUDGET fears that the Chancellor of the Exchequer would alter the tax structure of pension schemes resulted in a huge sales boom of pension contracts taken out by self-employed ahead of the budget.

Figures issued yesterday by the three life associations - The Life Offices Association, the Associated Scottish Life Offices and the Industrial Life Offices Association, showed that personal pension sales during the first quarter were four times those of the first quarter of last year in respect of annual premium contracts - £220m against

£53m - and double for single premium policies - £119m against £109m.

Both traditional and unit-linked sectors participated in this buoyant market. Annual premiums on traditional contracts almost quadrupled from £31m to £121m, while single premiums almost doubled - from £81m to £158m. Sales of linked contracts did even better, annual premiums rising 44 per cent from £22m to £32m, and single premiums more than doubled from £22m to £51m.

Very few life companies have yet indicated their individual sales position for the first quarter, but Norwich Union, which yesterday issued its 1984 report and accounts, reported self-employed annual premiums in the first quarter of this year at £13.5m. This was eight times higher than the figure for the same period last year. Single premiums of £7.5m were three times higher. Overall, Norwich sold more self-employed pensions business in the first quarter than for the whole of 1983.

These buoyant pension sales by life companies more than offset a decline in individual life business during the quarter. Sales figures for the first quarter of last year were increased by a rash for life policies after a notorious budget leak that the Chancellor of the Exchequer was ending tax relief on life contracts.

New life annual premiums fell in the first quarter of this year by nearly 40 per cent from the same period last year - from £495m to £298m. Traditional ordinary life business was the hardest hit with premiums falling by 44 per cent from £230m to £128m, while linked life business saw annual premiums drop by nearly 40 per cent from £111m to £68m.

Trafalgar House consortium in 'large' onshore gas find

BY DOMINIC LAWSON

A FIVE-COMPANY consortium led by Taylor Woodrow has made a big gas discovery at Kirby Misperton, North Yorkshire.

Trafalgar House, with a 49 per cent stake, has the largest share of the discovery. It said yesterday that "significant gas shows have been encountered and initial flow rates from the first drill-stem test are very encouraging."

It is believed that the gas initially flowed at a rate of about 15m cubic feet (cu ft) a day. This would be good for an offshore North Sea gas discovery, but is outstanding for an onshore find.

The well was one of the deepest drilled onshore in the UK; it has taken two months to date. The structure being probed is large by onshore standards, and could contain at least 25m cu ft.

Trafalgar House said yesterday that if confirmed, new discoveries in the area could be developed in conjunction with earlier discoveries in shallower reservoirs nearby.

Apart from Taylor Woodrow and Trafalgar House, the other members of the consortium are Rio Tinto-Zinc, Elf and James Finlay. The same group of companies last week found gas at Kirk Smeaton also in

Yorkshire, but that find is thought to be non-commercial.

The Government has turned down pleas by environmental groups to hold a public enquiry into British Petroleum's plans to drill up to four wells on Furzey Island in Poole harbour.

The wells are the first stage in a plan by BP to boost production in Dorset's Wyth Farm oilfield from 8,000 barrels a day (b/d) to 60,000 b/d. Wyth Farm is Europe's largest onshore oilfield, containing at least 250m barrels, but it is situated in an area of great environmental sensitivity.

Premiums reach £1 billion

The Chairman, Michael G Falcon, CBE DL, reports

'1984 was the first year in which the Group collected over £1,000,000,000 in premiums - a growth of 28%'

NORWICH UNION LIFE

Throughout 1984 and 1985 the payouts on our policies have been amongst the very highest in the industry and sometimes the highest of all. The fruits of a very distinctive and effective investment policy and the way we share them confirms our position as one of the most successful U.K. insurers.

Over the last two years we have seen a very useful uplift in our share of a much increased UK life insurance market. In 1984 total premiums grew by 28% to £738 million.

Life insurance is often sold on the strength of guesses about maturity values decades ahead. It is wrong for so much reliance to be placed on hypothetical payouts in the distant future. In contrast, we ask to be judged by what we are paying our policyholders today, and we seek support for our stance from intermediaries and like-minded competitors.

Our support for the independent intermediary continues unabated because the public is best served by those able to provide impartial and expert advice.

ANALYSIS of 1984

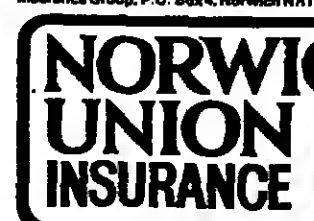
Norwich Union Group assets at December 1984: £7,758 million (December 1983: £6,768 million)

NORWICH UNION LIFE	1984	1983
Total Annual Premiums	£468.4m	£396.0m
Single Premiums	280.1	182.1
Bonuses added to Policies	456.8	157.2
Payments to Policyholders	374.8	276.9

Proceeds from a 25-year endowment, premium £30 a month, maturing NOW	Norwich Union £41,328	Average Company £30,726	Worst Company £18,820
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The Annual General Meeting of the Norwich Union Life Insurance Society will be held on the 14th May 1985 in Norwich.

Copies of the Directors' Report and Group Accounts including the Chairman's full Statement and the Chief General Manager's Review of Operations may be obtained from The Association, Norwich Union Insurance Group, P.O. Box 4, Norwich NR1 2NG.



NORWICH UNION FIRE	1984	1983
PREMIUMS	£377.1m	£280.8m
Investment Income	66.1	53.6
Underwriting Loss	44.3	25.5
Share of Associated Companies' results		
mainly Norwich Winterthur	profit 1.3	loss 3.1
Expenses not charged to other accounts	2.4	2.9
	20.7	22.1
Re-organisation costs	2.0	-
PROFIT BEFORE TAXATION	18.7	22.1
Taxation and Minority Interests	4.6	6.5
NET PROFIT	14.1	15.6
Dividend	13.0	11.7

Expenses not charged to other accounts				
Re-organisation costs				

NORWICH UNION FIRE

Our world-wide net premium income from general insurance increased by 29% to £337 million.

We made a net profit of £14.1 million and paid a dividend of £13 million to the parent company.

Despite considerable improvements in efficiency, our net profit has fallen back to its 1977 level, after rising every year from 1974 to 1979. This is because five subsequent years of increasing underwriting losses have more than offset the growing income from investments.

However, a greater return has been paid to the life policyholders than would have been obtained by investment elsewhere. This contrasts with some of our competitors who have increasingly drawn on their life funds in recent years to help offset the shortfall in their general insurance business.

Fortunately there are some signs that the nadir of trading conditions is being reached. If substance can be given to the current glimmerings of reality in the market, we can face the future with every confidence.

THE ENTREPRENEUR



Roger Newton, Managing Director, Wold plc.

In December 1983, a syndicate of institutions led by Citicorp Venture Capital invested £3 million in Wold plc, a UK frozen vegetable processor. That was just three years after the industry had suffered a painful rationalisation, as massive expansion of production capacity outstripped market growth.

The company was originally formed as a farmers co-operative in 1966 and developed through vertical integration into a vegetable processing and freezing concern. In 1980, as a result of industry and company problems Roger Newton was appointed Managing Director.

Newton says, "We survived because we specialised in own label - as no one else did - and took the view that our strongest marketing aid was to have the best of production facilities and total control of agricultural supplies."

Using its own machinery, the company now drills, cultivates and harvests the majority of the raw vegetables it freezes.

By 1983, the company was not only back in profit, but poised for further expansion and seeking fresh risk capital. "As the British banking system is somewhat conservative," says Newton, "the logical place to look was the venture capitalists, of which Citicorp Venture Capital was probably the most successful."

Newton used the money raised by the Citicorp-led syndicate to increase sales flexibility, finance well-controlled buying and stocking policies, and for further technological innovation. Already a pioneer in computerised packing machinery, Wold now installed optronic processing control equipment, the first of its kind in Europe.

"Today the fresh frozen market is growing, and that growth is in own label," says Newton. Wold is growing with it and also by acquisition. In 1984 Wold acquired a national frozen distribution capability by purchasing a Smithfield wholesaler.

Now firmly in control of its own destinies - from the harrow, through the micro-chip, to the frozen food cabinet - Wold is prospering, and Citicorp Venture Capital continues to provide commercial and financial assistance.

Are you an entrepreneur? Here are some things you should know about Citicorp Venture Capital (CVC).

* Since starting up in the UK three years ago, we have invested in over 30 companies which now have a total annual turnover of over £350 million.

* We undertake three main types of venture capital financing:

"Replacement Capital" to buy-out existing shareholders and substitute a new capital structure.

This includes management buy-outs; acquisitions and mergers; and making a public company private.

"Expansion Capital" to finance growing companies at an early, or accelerating period in their development.

"Start-up Capital." CVC particularly favours situations where an established, well balanced management team is in place from day one, and can demonstrate a successful track record in relevant areas, especially technology.

* We are planning to invest over £100 million in venture capital in Europe in the coming years.

* We look only for a minority equity holding, because we believe that the operating management should be motivated by substantial equity ownership.

* We are more interested in the future cash flow potential of a company than in "security." Our aim is to invest in companies which will become successful.

* Unlike more traditional sources of finance, we are attracted to a business by the management's

abilities and its market potential, not purely by financial considerations.

* We are prepared to take a long term view of investments, and will help determine the exit route most suited to the requirements of the company: the USM, the sale-on of the company, a repeat buy-out of our equity by the management, or a full Stock Exchange listing.

* CVC's professional staff come from general management, technology, and manufacturing, as well as financial backgrounds. They are therefore able to understand the entrepreneur's business and investment needs, and can contribute continuing assistance and expert advice on the company's development.

* We have access to the international network of Citicorp, one of the world's largest financial institutions, with European venture capital offices in Paris, Frankfurt, Milan and London.

* For particularly large investments, we can assemble and lead a syndicate of investors.

If you need £250,000, or many millions of pounds, bring us your proposition. Contact Eric Cater, Charles Gonszor, Mike Smith, Frank Neale, Liz Hewitt, Brian Havill, Sandy Smart or Lorig Maranjian. We will give a quick response to your investment proposal.

Or, if you simply would like a copy of our brochure containing more information, just ask Citicorp Venture Capital, 335 Strand, London WC2R 1LS. Telephone 01-438 1593.

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CITICORP

GLOBAL INVESTMENT BANKING

UK NEWS

Jobless total increases by nearly 5,000 to 3.27m

BY ROBIN PAULEY

UNEMPLOYMENT jumped to a record level in Britain in April causing puzzlement and dismay among Government ministers and officials. The City of London was surprised, but unruffled.

The headline total including school-leavers rose by 4,973 to 3.27m according to Employment Department figures released yesterday. But most worrying for the Government was the seasonally adjusted figure for unemployed adults excluding school-leavers. This increased by 29,200 in April, the largest monthly rise for two years, taking the adjusted total to 3.17m, or 13.1 per cent of the workforce.

Mr Tom King, Employment Secretary, said the April figures appeared to be erratic and should not be seen as a change in the underlying trend. But all the opposition parties were quick to condemn the Government's employment policies in the light of unexpectedly bad figures.

Mr John Prescott, opposition employment spokesman, said the figures did not include the 200,000 Easter school-leavers who were no longer allowed to register as unemployed. "It is the sixth anniversary of the Tory Government's election. What a present for the nation," he said.

The underlying movement of the unemployment figures had been persistently upwards, but in the last year the rise has been at an average monthly rate of between 10,000 and 15,000.

The March figures showed an adjusted rise of only 2,500, encouraging official optimism that, helped by the end of the bad winter weather, the underlying trend might be close to turning point. But April's figures are much worse than the rises of 17,500 and 20,000 in January and February respectively.

The most puzzling aspect of the figures is that they so starkly contradict other economic indicators, particularly the very buoyant picture which emerged from the most recent Confederation of British Industry (CBI) quarterly industrial trends survey. This showed output and orders well up and gave the first signal since 1979 that the long decline in manufacturing industry employment may be over.

In addition, yesterday's figures show a further rise in the number of job vacancies notified to Jobcentres. The seasonally adjusted total of vacancies in April was 167,000, which is 8,000 up on March. As only about a third of vacancies are notified to Jobcentres, there may be as

many as 500,000 jobs vacant at the moment.

Mr King suggested that the Government's measures to alleviate unemployment announced in this year's budget had not had time to be reflected in the unemployment statistics. And he again referred to the problem of the demographic changes which mean the workforce continues to grow.

"More than 340,000 new jobs were created last year. However, with the increase in the working population all these improvements have not yet been enough to reduce unemployment and to provide for the many new people now looking for a job."

Mr David Steel, the Liberal leader, said the country was "fed up" of hearing that the recovery was about to arrive. "These figures show yet again that it is not. It is high time this Government tackled the tragedy of unemployment." Mr Ian Wigglesworth, Social Democratic Party employment spokesman, said the figures gave the lie to ministerial boasts that the economy had turned the corner. "This has been a cruel mirage for the jobless. We are now entering the seventh year of this Government and without new policies there will be no fat years."

Initiative to revive satellite TV launched

BY RAYMOND SNODDY

THE GOVERNMENT has launched an initiative to try to revive Britain's stalled multi-million direct broadcasting by satellite (DBS) project.

Sir Jeffrey Stirling, chairman of P & O and special adviser to the Department of Trade and Industry, has been asked to intervene again to try to breathe some life into the project.

Sir Jeffrey chaired the meetings more than a year ago which led to the formation of the DBS consortium. The consortium - made up of the BBC, the 15 independent televi-

sion (ITV) companies and five non-broadcasting organisations led by Thorn EMI - is intended to operate three new channels of television programmes from space.

Sir Jeffrey has recently had talks with Mr Stuart Young, chairman of the BBC, and with Mr Andrew Quinn, co-ordinator of the DBS consortium and managing director of Granada Cable and Satellite. There have also been talks between ministers and Mr Young and Lord Thomson, chairman of the Satellite Broadcasting Board.

The consortium has, however,

been surprised to find that Sir Jeffrey's main purpose seems to have been to persuade the DBS consortium to reopen talks with United Satellites (Unisat). This is the British Aerospace, GEC Marconi and British Telecom which is the Government's preferred supplier for the DBS satellite.

The members of the consortium have already rejected Unisat on the grounds that its prices are too high to give the project any chance of commercial viability and compare badly with international competi-

tion. In December, the consortium asked Mr Leon Brittan, the Home Secretary, for permission to seek competitive international tenders for the satellites to operate the project, which could cost as much as £300m. The consortium also sought an extension of the franchise from 10 to 15 years. No formal reply to the request has been received.

The Government, apart from trying to encourage the consortium to reopen talks with Unisat, is resisting any extension to the life of the project.

"Unless the Government changes

its attitude to the project very quickly, it looks like a dead duck," senior broadcasting executives said yesterday.

Previous negotiations with Unisat, which ended earlier this year, showed that the difference in price between what Unisat was offering and Britsat, a British company offering largely American technology, was more than £130m.

The prices quoted by Unisat for a two-satellite system, with the second satellite launched in the fourth year, was £515m over 10 years.

Lithgow workers vote to strike

BY MARK MEREDITH

A MASS meeting of the Scott Lithgow workforce voted yesterday to go on strike or occupy the Lower Clyde shipyard next week if the owner, Trafalgar House, issues compulsory redundancy notices to reduce the workforce by nearly 600.

Trafalgar House, the property, shipping and construction group, said on Tuesday that the job cuts were needed because the yard had no new orders.

A ballot taken by workers leaving the meeting in Greenock voted by 1,500 to 137 to back their leaders in any call for industrial action. The men then took the rest of the day

off in protest against the cuts. The meeting also approved an immediate ban on overtime and holiday working.

Unions claimed that Trafalgar House wanted to reduce the workforce to save money on the £38m contract from Britoil to build a semisubmersible drilling rig. They said the contract had been renegotiated to allow another year for production during which many of the finishing tradesmen would not be needed.

Trafalgar House and Britoil denied that the contract had been renegotiated. The order for the yard

was restored to Scott Lithgow last year as part of the takeover by Trafalgar House from British Shipbuilders. Britoil had earlier cancelled the order when it was two years behind schedule.

The rig should have been ready to carry out the coming season's exploration drilling in the tough conditions off the north west coast of Britain. According to the oil company, since the Trafalgar House takeover, work has slipped back by about four months.

The Britoil order is the only one left at Scott Lithgow, which was short of orders before the takeover.

Pilkington criticised over liquidation of subsidiary company

BY CHARLES BATCHELOR

A MOVE by Pilkington Brothers, the glass making group, to put a subsidiary company into liquidation has highlighted a sensitive aspect of insolvency practice at a time when parliament is considering a fundamental revision of insolvency law.

Pilkington's decision to put Glass Reinforced Concrete (GRC), a Chester-based manufacturer of glass fibre and cement panels, into voluntary liquidation has prompted protests from a number of creditors and their accountants.

Criticism of Pilkington centred on its decision to nominate a sole liquidator, despite calls from a number of trade creditors that a joint liquidator of their choosing should also be appointed. Disquiet also surrounds the decision by a large company to put a small subsidiary into liquidation as a means of resolving its financial difficulties.

GRC made a pre-tax loss of £3.6m in the year ended March 1983 on turnover of £2.47m, after setting aside £2.3m as an extraordinary item to meet contract claims.

GRC has received six claims amounting to £1.39m for work carried out some years ago. It is also aware of other claims for potentially substantial sums in the order of £10m, the directors' statement of affairs said.

Creditors and their accountants accept that Pilkington was acting within the law in its handling of the decision to put GRC into liquidation. But Pilkington's refusal to take into account the views of trade creditors in naming a liquidator was seen as surprising for a company of its size and standing. Such a move could be used as justification by less scrupulous companies to ignore the views of their creditors.

One participant at GRC's creditors' meeting, held on April 19, said:

"Pilkington disenfranchised its creditors. There were creditors there who wanted another liquidator but they did not allow anyone else to have a say."

Pilkington said it had now offered to pay trade creditors owed nearly £450,000 by GRC, although it had no legal obligation to do so.

As sole shareholder in GRC, Pilkington appointed Mr Derek Slade, of accountants Arthur Young, as liquidator. Creditors can reverse a shareholders' nomination if they can outvote the shareholders by both number and value of the outstanding debt at the subsequent creditors' meeting. But in this case, Pilkington was owed just over £3m by GRC and it was able to outvote other creditors at the meeting.

Arthur Young commented: "From our point of view Mr Slade was properly appointed and he will do his best for all creditors. The independence of the liquidator is not at issue. We don't act for Pilkington at all."

The strong position of parent companies in the liquidation of subsidiaries is an issue which worries the Insolvency Practitioners Association, which represents accountants specialising in this field.

Mr Roy Adkins, the association's president, said: "It is dangerous to generalise but in a situation like this I would not have used my vote against the general body of creditors. I cannot defend this, but there is very little that can be done at the moment."

"Creditors do, however, nominate a committee of inspection which can monitor what is done and make sure creditors get a crack of the whip."

Some accountants involved in insolvency work believe intra-group claims should be disenfranchised to give outside creditors a bigger role in appointing a liquidator.

Imported gas cookers cause trade protests

BY MAURICE SAMUELSON

THE GOVERNMENT was yesterday urged to stem the rise in imports of gas cookers by introducing mandatory British safety standards as a condition of sale.

The Society of British Gas Industries, at its annual meeting in London, reported that "unfair trading" by foreign manufacturers continues to be a matter of major concern, and the lack of response by the Government, so far, had been disappointing.

The society, which represents about 250 private equipment companies involved in the production, transmission and use of gas, said it was pressing for the introduction of mandatory British safety certificates for imported appliances.

Although the Government seemed to be "moving in this direction," it also appeared to be inhibited by fear of being charged by the EEC with erecting trade barriers.

Imports are represented most strongly in sales of gas hobs - amounting for 150,000 out of an annual demand for 200,000. Of 50,000 gas ovens sold yearly, 10,000 are im-

ported. In the biggest market - free-standing cookers - imports represent 110,000 out of 700,000 a year.

Imports, particularly of hobs, come mainly from France, Spain and Italy. British manufacturers allege that they have lower insulation levels and higher surface temperatures than British products.

The society, commenting on the Government's proposals to privatise the British Gas Corporation, says that as long as the corporation is privatised as a single entity, and not piecemeal, it will make little difference to the industries which rely on it.

It appears more concerned about the long-term availability of gas supplies. Its annual report, drafted before the latest Government Energy Brown Book uprated UK oil reserves, said the Government's view on imports from Norway's Sleipner field "will continue to cause some anxiety until there is positive evidence that future supplies from alternative sources are assured."

Holiday hotels accused of low safety standards

BY ARTHUR SANDLES

FIRE RISKS in some continental European hotels are so appalling as to be "the result either of profound ignorance of fire hazards or a cynical disregard for the lives of hotel guests," according to the UK Consumers' Association.

The association's magazine looked at a wide sample of mountain hotels in Austria, France, Italy and Switzerland. They were properties heavily used by British tour operators, particularly for school ski parties in winter.

The findings shocked the association. "The majority of hotels present vastly greater fire risks than they should," it said. The report points to locked escape doors, lack of protection against spreading smoke, stairways that led to boiler-rooms and kitchens, dead-end corridors, an absence of fire alarms and a low standard of emergency lighting and extinguishing equipment.

The association found that the position regarding fire was worse than it had been in its survey six years ago. It deliberately chose hotels much used by British schoolchildren. "Any hopes we might have had of finding higher than usual safety standards in these hotels were soon dashed."

The report found worst examples in Auffach and Brand in Austria, Monte Bondone in Italy, and Chaux-de-Fonds and Leysin in Switzerland. However, Chaux-de-Fonds also had two hotels, the De l'Orme and the Roc et Neige, which were the best in the survey in terms of fire detection and protection.

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Jerry Owen, owner of two of ComputerLand's UK centres.

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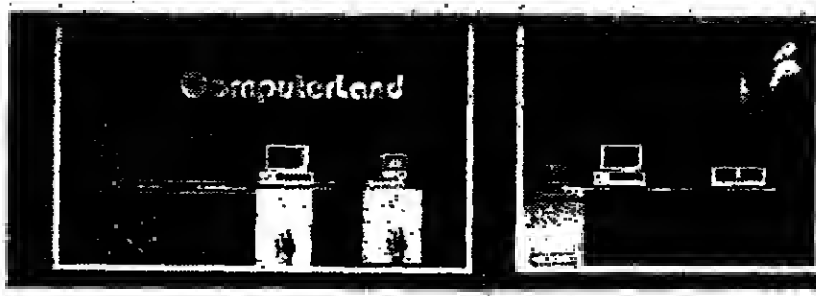
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UK NEWS

Raymond Hughes reviews the battle for the Clore fortune

The wasted exile of Sir Charles

"ABLE, RESTLESS, cerebral without being intellectual or cultured; dutiful in religion but not spiritual; sometimes on the edge of loneliness or boredom; the impression is of a final period of unhappiness and doubts."

That was the portrait sketched by a High Court judge last October of Sir Charles Clore, pioneer of the company takeover and founder of the Sears Holdings retail empire, in his last years.

In his determination to prevent the Inland Revenue levying tax on his multi-million pound assets, Sir Charles, who enjoyed the lifestyle of an English country gentleman and had been a familiar figure on the London social scene, had gone into sad, self-imposed exile from England. All, as it turned out, to no avail. This week, nearly six years after Sir Charles's death in July 1979, it was announced that agreement had been reached for the Revenue to have £20m from his £123m fortune.

In 1977, oppressed by the facts that the top rate of tax on unearned income was 88p in the pound, and that he could not sell securities without incurring substantial capital gains tax charges, he went into tax exile.

In the year before his death he bought and furnished a luxurious flat in Monaco. The greater part of his English assets were transferred to a company he had formed, Stype Investments (Jersey), the shares of which he settled on a charitable trust established under Jersey law.

He made two wills: one left the Monaco assets to his daughter, Mrs Verian Duffield; the other left the greater part of his fortune to the Jersey



Sir Charles Clore determined to deny the Revenue

trust for the benefit of Israeli and other charities.

He had earlier given Vivian and her brother Alan substantial investment portfolios worth about £20m.

Within months of his death the litigation began. The Inland Revenue sued for capital transfer tax; Mr Alan Clore challenged the validity of the two wills; the Official Solicitor, appointed by the High Court to replace Sir Charles's executors, sought possession of the estate's English assets.

The first legal bone of contention was the Guy's Estate in Herefordshire, the largest English asset, which Sir Charles had transferred to Stype shortly before his death.

Stype contracted, as his nominee, to sell it to the Prudential Assurance Company for £20.5m. Sir Charles died before the contract was completed and Stype transferred the sale proceeds to Jersey.

That led to the Revenue alleging that Stype had "inter-meddled" in the Clore estate and seeking the return to England of the sale proceeds in part satisfaction of the Revenue's CTT claims on the estate.

The claim failed in the High Court but succeeded in the Appeal Court, which ruled that the Guy's proceeds were English assets and should not have been "spirited" out of the country.

Lord Justice Templeman went on to express the view that there might have been "a criminal conspiracy" to defraud the Revenue and, to the alarm of Stype's directors and their banking and legal advisers, called upon the Director of Public Prosecutions to investigate.

Their alarm intensified when, in August 1982, the DPP called

the wills and preventing the return of funds to England. He was arguing that his father had died domiciled in Monaco, and that under continental law, he could not be disinherited.

Moves were also begun to question the Official Solicitor's legal standing in Jersey.

There seemed a real prospect of the parallel litigation creating a unique legal and constitutional problem, with the House of Lords and the Privy Council (both drawn from the same panel of Law Lords) being eventually embroiled as the final appeal forums for the two jurisdictions.

The key issue to be decided by both the English and Jersey courts was: where was Sir Charles domiciled when he established the Jersey trust and when he died?

If the answer were Monaco, the Revenue would be entitled to about £20m from the £27m English estate, and Mr Alan Clore would succeed in getting a substantial share of the worldwide estate.

If there were English domicile the whole estate would be subject to up to 75 per cent tax.

This issue was resolved last October, when Mr Justice Nourse ruled in the High Court that Sir Charles had been domiciled in England.

A week later the Royal Court in Jersey made a similar ruling and it was announced that Mr Alan Clore had dropped the Monaco domicile argument and that negotiations had begun to end the litigation and pave the way for bargaining with the Revenue.

This week the saga ended with the Royal Court in Jersey approving compromise of both the Jersey and English litigation, in an atmosphere of restrained euphoria.

APPOINTMENTS

Managing director for Esso Exploration

Dr Keith Taylor is to be appointed managing director of ESSO UK subsidiary Esso Exploration and Production UK from July 1. Dr Taylor is also to be appointed to the boards of Esso UK and Esso Petroleum Co. He succeeds Mr George Uhlant who has accepted the Houston-based position of manager operations, production department, Exxon USA.

Dr Taylor joined Esso at Rawley Refinery in 1964. In January 1980 he joined Exxon USA in New Orleans and the following year was made responsible for production and drilling operations in the Gulf of Mexico. He returned to London in 1982 as operations manager and then production manager for Esso Exploration and Production UK. He is currently based in New York as executive assistant to the chairman, Exxon Corporation.

Mr Uhlant joined the Exxon organisation in 1957 and was appointed president, Esso Pipeline Co in 1977. He became executive assistant to the president, Exxon Corporation, in 1978 and vice-president, Esso Midland, in 1980.

Mr Uhlant moved to London in 1981 as production manager, Esso Europe Inc. and was appointed managing director, Esso Exploration and Production UK in 1982.

At THAMES TELEVISION Mr Derek Hunt, deputy director of finance, has been appointed managing director of finance with a seat on the board; and Mr Ben E. Marr, company secretary and director of personnel also joins the board. Mr Hunt is the former managing director of the previous director of finance Mr Ian M. Scott.

Mr David Jones, who has been operations director for Pepsi-Cola (Northern Europe) for the past three years, has been appointed regional vice president for PEPSICO INC in the Pacific Basin.

Mr Stephen Oakley has been appointed finance director on the board of UNITED CITY MERCHANTS. He joined the group in September 1984.

JOHN TOWNSEND AND CO has appointed Mr Keith L. J. Samengo-Turner as a director.

Mr Robble Thomas, vice-chairman and editorial director of North Wales Newspapers, is the new president of the NEWS-PAPER SOCIETY. He succeeds Mr Tim Morris, chairman of the Birmingham Post and Mail.

Mr Christopher Burnett will join SILENTNIGHT HOLDINGS as chief executive on August 1 from Whitecroft where he is an executive director on the main board. Mr John E. Robson has been appointed a director of the major trading company ABF where he will have overall responsibility for marketing within the Silentnight group. Mr Robson held senior executive positions with General Foods Corporation of the U.S., most recently as development director for Europe based in Brussels.

Mr R. G. Hollis has been appointed a non-executive director of ALFRED PREECE AND SONS. He is group financial director of H. P. Bulmer Holdings.

GRAVINER has appointed Mr Charles Richardson as engineering director. He joins from the Marconi Company where he was divisional director of electro-optical surveillance division. Dr Bob Farquhar becomes technical director.

Dr Alan Owens has been appointed technical director of STRESS ENGINEERING SERVICES, Bath, part of the Crystalete group.

NIXDORF COMPUTER A.G. has appointed Mr Albert Hölter to the executive board. Mr Hölter, who was general manager of Nixdorf's UK subsidiary from 1978 to the end of 1982, will be responsible for sales and service in all European countries, excluding Germany. He will move to Munich.

CONVERGENT TECHNOLOGIES has appointed Mr Steven Fleming as director of European engineering. He was technical support manager for distributed data products, for Sperry Computer Systems.

Mr David Mackenzie, managing director of Wrightson Wood Financial Services, has joined the BERLEI (UK) board, representing the Welsh Development Agency which recently invested £1m to support company planned expansion.

PANNELL KERR FORSTER has appointed three partners in the Cardiff office. They are Mr Jeff Salisbury, Mr David Jones and Mr Martin Rogers. Mr John R. Davidson has been appointed a partner in the Leeds office.

Three new members have been appointed to the Executive Board of the European Association of Banks. Mr Norman Holland, UK group standards manager of Philips Electronic and Associated Industries; Sir Richard O'Brien, chairman of the Engineering Industry Training Board; and Sir Robert Telford, life president of The Marcomics.

Mr Derek R. Moon has been appointed chairman of MASTER SYSTEMS (DATA PRODUCTS). He is chairman of Brikat Group.

Mr Harry King has been appointed managing director of BENN BUSINESS INFORMATION SERVICES from Dun and Bradstreet where he was general manager of the business marketing division.

Mr William Rogers has been appointed managing director of MEDIA MAGAZINES, Northampton. He was managing director of the Northampton Chronicle & Echo and associated publications.

DUPORT has appointed Mr S. W. Wiltshire as a non-executive director. He has been associated with J. Henry Schroder Wagg and Co for many years.

Mr Kenneth Bacon has been appointed chairman of the TECHNOLOGY TRANSFER SERVICES ADVISORY COMMITTEE. He is managing director of Standard Telephones and Cables Communications.

Mr R. J. Sutherland has been appointed a director of W. W. MARSHALL (STERLING), a member company of the Mercantile House Group.

Mr A. J. E. Kiam, National and Provincial Building Society's secretary and legal adviser, will be leaving to become a director of PROFITA.

Mr Gerry Spencer has been appointed executive director of SWEDISH BUSINESS SERVICES, a new London-based public relations company. Mr Spencer was previously manager, group public relations, Scandinavian Bank. Mr Jan W. G. Fensler is managing director of Swedish Business Services.

Dr John Manning has joined SANDBERG as a partner. He was previously a director of T.H. Engineering Services and Cementation International Engineering, the civil and structural engineering design companies in the Trafalgar House Group.

Three directors have been appointed to the board of FAIRY AUTOMATION, Swindon. Mr Keith Mills becomes sales director. He was sales manager. Mr Adrian Hill joins the board as commercial manager. Mr Alan Knox joined Fairy Holdings in May 1983 as executive head, market studies, and is also president of the management board of Climax Automation SA at Bfils, France, another Fairy operating company.

Company Notices

PINECHURCH UNITED STATES GROWTH FUND LIMITED

(Incorporated in Bermuda as an Exempt Company)

The aim of the Fund is to offer long term capital growth by investing principally in small and medium sized United States companies.

The Board announce the following unaudited results for the period ended 1st April 1985. The Board further announce that the special dividend as detailed below has been declared in order that the Fund may comply with the requirements of Distributor Status in respect of the Accounting Period ended 30th September 1984.

	Period 1.10.84 to 1.4.85	Comparative Period 1.10.83 to 27.3.84
Gross Revenue	US\$221,825	US\$277,323
Net Revenue (after interest charged and expenses but before payment of any dividend)	US\$39,585	US\$101,520
Interim dividend declared per share	None	2.3 US¢
Special dividend declared per share	1.1 US¢	-
Total amount absorbed by special/interim dividend	US\$98,644	-
Ex dividend date	26.3.85	27.3.84
Payable to Shareholders of record	25.3.85	26.3.84
Dividend payment date	28.3.85	8.5.84
Net assets	US\$29,336,380	US\$30,039,357
Net asset value per US\$0.25 share	US\$8.74	US\$7.00 Xd

It should be noted that the special dividend as detailed above has been declared without specifying either the period for which, or the revenue out of which, it was paid and is shown in the manner above purely for comparison purposes.

3rd April 1985

For and on behalf of the Board
KLEINWORT, BENSON (GUERNSEY) LIMITED
As Administrators of the Fund
Westbourne, The Grange, St. Peter Port, Guernsey, C.I.

Contracts and Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX Puits
(National Oil Exploration Company)

NOTICE OF NATIONAL & INTERNATIONAL CALL FOR TENDERS
NUMBER: 9120.AY/DIV.

The National Oil Exploration Company is launching a National and International Call for Tenders for the supply of:

WELDING SET

This Call for Tenders is intended for Manufacturing Companies only and excludes resellers, representatives of companies and any other intermediaries, in conformity with the provisions of the Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenders interested in this Call for Tenders may obtain the specifications from the following address:

Entreprise Nationale des Travaux aux Puits (E.N.T.P.)
16 Route de Mefah, Qued Smer, El-Herach, Algiers, Algeria
Direction des Approvisionnements (Supplies Division)

with effect from the date on which this notice is published for the sum of 400 Algerian Dinars. Offers of which five (05) copies should be prepared, must be sent in a double-sealed envelope, by registered mail to the Secretariat de la Direction des Approvisionnements (Secretariat, Supplies Division) at the above address.

The outer envelope should not bear any mark which might identify the tender, or any heading, and should read: "APPEL D'OFFRES NATIONAL ET INTERNATIONAL No. 9120.AY/DIV - CONFIDENTIEL - A NE PAS OUVRIR" [NATIONAL & INTERNATIONAL CALL FOR TENDERS No. 9120.AY/DIV - CONFIDENTIAL - DO NOT OPEN].

Tenders must be received by Saturday 15 June 1985 at the latest.

Selection will be made within 180 days of the closing date of this Call for Tenders.

NOTICE OF REDEMPTION to Holders of

GENERAL CABLE OVERSEAS N.V.

8 3/4% Guaranteed Bonds due 1979/87

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the above issue US\$5,246,000 (Nominal) are to be redeemed at par on 15th May 1985. The following bond serial numbers have been drawn for redemption in the presence of a notary public at a price equal to 100% of the principal face amount.

BONDS OF \$1,000 EACH

102	2327	2708	9919	11390	12413	15558	16477	27776	12850	18840	20459	20469	21597	23210	23988	25645
110	2327	2774	9919	11390	12413	15558	16477	27776	12850	18840	20459	20469	21597	23210	23988	25645
118	2327	2774	9919	11390	12413	15558	16477	27776	12850	18840	20459	20469	21597	23210	23988	25645
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THE ARTS

فنان من النجوم

Arts Week

F S M T W T F S S
3 4 5 6 7 8 9

Theatre

NEW YORK

Cats (Winter Garden): Still a sell-out. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically fierce, but classic only in the sense of a rather stand-out theatrical idea of theatricality. (238 8200).

Dead Street (Majestic): An immediate celebration of the heyday of Broadway in the 1930s incorporates a little of the original film *Star 80* into the show. The production is a large-scale, high-tech, high-budget, high-concept musical. (277 9020).

Teach Song Trilogy (Helen Hayes): A series of three plays, each a touching story of a drug queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his drug-dealing mother. (244 9450).

Death Wish (Imperial): Michael Bennett's latest musical has now become a sell-out Broadway presence despite the forced effort to recreate the character of a violent, violent, violent man. It is a sell-out, but the quality of the music. (238 8200).

Brigadoon (Beach): *Memorabilia* (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his play as it is a touching, touching, touching story of a man who has decided to name the theatre after the generation's outstanding box office draw. (771 8445).

A Christmas Carol (Shubert): The longest running musical ever in America has not only supported Joseph

Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as emotions rather than emotions. (238 8200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest play at the English Intelligentsia with its backstage story in which the songs are used as emotions rather than emotions. (238 8200).

Sunday in the Park with George (Booth): Inspired by the Secessionist painting, Stephen Sondheim's fashion musical with dots and dashes of song that is too good to work with Tony Stoppard's pretty set and James Lapine's book which changes gears in the second act. (238 8200).

Noises Off (Brooks Atkinson): The latest of the British farce tradition is a pastiche of Michael Frayn's farce, a pastiche of all the slandering doors and dropping drawers. (245 3430).

TOKYO

Baron (in the Park): The Japanese version of *Mad Sunday* play directed by Yutaka Kobayashi. Long Run Theatre, Shimokitazawa. (414 0901).

Cosmos (Mitsui): A one-man show on the life of Jesus Christ by Jean-Marie Le Clezio. (414 0901).

Yoshi (in the Park): A play by Yutaka Kobayashi. Long Run Theatre, Shimokitazawa. (414 0901).

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LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Beckford's brilliant direction of black comedy is a pastiche of Michael Frayn's farce, a pastiche of all the slandering doors and dropping drawers. (245 3430).

Exhibitions

WEST GERMANY

Berlin, Schloss Charlottenburg: *Spandauer Damm*; *Neuer Fliegel*. Berlin is putting on the biggest exhibition of Antoine Watteau to commemorate the 300th anniversary of his birth. The National Gallery of Art, Washington, the State Museum of France and the administration of Berlin's castles are sponsoring the show. The French rococo painter often used poor quality colours, therefore many of his paintings are in a bad state of repair. The exhibition includes 75 drawings and 143 paintings. Ends May 26.

Cologne, Kunsthalle, Josef-Henrichs-Hof: *Watteau*. The exhibition of Watteau's work is a pastiche of all the slandering doors and dropping drawers. (245 3430).

VIENNA

Vienna 1780-1800: Dress and Reality. The greatest names of the Viennese 18th-century - Klimt, Otto Wagner, Schiele, Kokoschka, Adolf Loos, Josef Hoffmann - in a dazzling display of Viennese creativity. The exhibition is a pastiche of all the slandering doors and dropping drawers. (245 3430).

Opera and Ballet

LONDON

Regal Opera House, Covent Garden: *Swan Lake*. The Royal Opera House is putting on the biggest exhibition of Antoine Watteau to commemorate the 300th anniversary of his birth. The National Gallery of Art, Washington, the State Museum of France and the administration of Berlin's castles are sponsoring the show. The French rococo painter often used poor quality colours, therefore many of his paintings are in a bad state of repair. The exhibition includes 75 drawings and 143 paintings. Ends May 26.

PARIS

Alceste, produced by Pier Luigi, alternates with *Soirée de Ballo* producing Giselle, choreographed by Mary Smeaton, after Paganini and the Ballet School de la Scala in La Scala, choreographed by Franco Zeffirelli. Paris Opera (245 3430).

Hamburg Opera Ballet, choreography by John Neumeier, is followed by *Swan Lake* with the Berlin Staatsoper (Wed, Thur). (41 82 66).

WEST GERMANY

Berlin, Deutsche Oper, Fidelio, a Jean Pierre-Ponnelle production with Lis-

On Your Toes (Palace): Rodgers and Hart's 1926 musical is a genuine tonic. American jazz dance collides with the Ballet Russe. Come to see the show. (437 8834).

Dead Street (Drury Lane): No British equivalent has been found for New York's *Dead Street*, but David Merrick's production is a pastiche of all the slandering doors and dropping drawers. (245 3430).

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WEST GERMANY

Berlin, Deutsche Oper, Fidelio, a Jean Pierre-Ponnelle production with Lis-

Music

PARIS

Orchestre Colonne conducted by Pierre Dervaux with Michel Galabru, Pierre Hols, Rene Benedetti, Rostropovich, and Beethoven (Mon). Salle Pleyel (561 0630).

Ensemble Orchestral de Paris conducted by Luca Piffa, Elizabeth Chojnacka, Philip Brice, violin: Palla, Xenakis, Herant, Prokofiev (Mon). Theatre du Rond-Point (265 7080).

Francisco-Rene Duchesne, piano, Paul Meyer, clarinet: Scariatti, Liszt, Stravinsky, Brahms (3.30). Orchestre Symphonique de Saint Louis conducted by Leonard Slatkin, Isaac Stern, violin: Bernstein, Mendelssohn, Prokofiev (R.30). Both concerts Monday, TMP-Chatelet (233 4444).

NETHERLANDS

Rotterdam, De Doelen. Lunchtime concert from the Rotterdam Philharmonic conducted by Herbert Slobbe: Schubert (Wed), and Schubert, Dvorak (Thur). Recital Hall: Theo Olof, violin: Bach (Mon). (41 29 11).

Utrecht, Muziekcentrum. Brederode, Franz Bruggen conducting the Orchestra of the 18th century, with Eric Hoeprich, clarinet: Mozart (Wed), Recital Hall: Orlando Quartet (Mon), Robert Alexander, soprano, Gerard van Blerk (Wed). (31 45 44).

WEST GERMANY

Berlin, Opera: Lieder recital with Gerd Albrecht, conductor: Alban Berg, Richard Strauss (Mon).

BRUSSELS

Greta de Baeyere, soprano, Christina Kyriakides, harpocello, Heather Charlton, harpocello, 300th anniversary Handel and Scarlatti concert. Muziek Instituut (51 35 95). (Wed).

ITALY

Milan, Teatro della Scala: Soprano Elizabeth Cohn, accompanied by the piano: Schubert, Wagner, Wolf and Mahler (Mon). (80 91 28).

Rome, Auditorium di Via della Conciliazione: Teatrakovsky's *Iolanta*, conducted by Yuri Temirkanov with choir and soloists from the Kirov Theatre in Leningrad (Sun, Mon, Tue). (06 41 044). Also at Oratorio del Gonfalone, Vico della Scimia: Violinist Angel Jans Garcia playing Bach (Thur). (65 95 92).

VIENNA

Orf. Symphony Orchestra and choir conducted by Gerd Albrecht with Cheryl Staser and Doris Stoffer, soprano: Thomas Moore, tenor: Matthias Holla, bass, and Bernd Weikl, baritone. Spohr's *Jessonda*. Musikverein (Fr). (65 81 90).

LONDON

Teatrakovsky Gala Night with the London Concert Orchestra, Band of the Welsh Guards, Anthony Goldstone (piano), conducted by David Coleman. Royal Festival Hall (Mon). (23 31 91).

Paul Robeson Memorial Concert, introduced by Joe Marcell. Queen Elizabeth Hall (Mon). (23 31 91).

NEW YORK

New York Philharmonic (Avery Fisher conductor, Zubin Mehta; cellist: Leonard Rose; Jacob Druckman, Haydn, Dvorak, conductor: Zubin Mehta; New York Choral Society: Prokofiev, Mendelssohn (Thur). Lincoln Center (874 2244).

CHICAGO

Chicago Symphony Orchestra (Conductor: Fritz Lehmann; soprano: Eric Milnes; bass: Berg, Bruckner (Thur). (435 8122).

TOKYO

Stuttgart-Glücksburg Kanisler and Bach-Collegium, conducted by Helmuth Rilling, in works to commemorate Bach's 300th anniversary. St John Passion (Mon); Mass in B Minor (Tue). Tokyo Bunka Kaikan. (50 00 81).

WASHINGTON

National Symphony (Concert Hall): conductor Hugh Wolff. Berlin, Weber, Liszt, Beethoven (Tue); conductor: Misailav Rostropovich; pianist: Alicia de Larrocha; Glinka, Mozart, Brahms (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony Orchestra (Conductor: Fritz Lehmann; soprano: Eric Milnes; bass: Berg, Bruckner (Thur). (435 8122).

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NEW YORK

American Ballet Theatre (Metropolitan Opera House): Mikhail Baryshnikov and company, including Natalia Makarova, Cynthia Gregory, Patrick Bissell and Clark Tippel, dance a mixed programme from their eight-week repertory. Ends June 15. Lincoln Center (822 6000).

New York City Ballet (New York State Theatre): A new ballet by Jerome Robbins joins Balanchine and Robbins favourites, including *A Midsummer Night's Dream*, *Firebird*, *La Vierge* and *Apollon*, in the company's new season. Ends June 21. Lincoln Center (870 5570).

Cinema/Nigel Andrews

Bobbing along with Mills & Boon

The Cotton Club directed by Francis Coppola
Falling in Love directed by Ulu Gersag
Protocol directed by Herbert Ross
Parker directed by Jim Goddard
The Boy directed by Daniel Petrie

"I want to see the money up on the screen!" he always been the cry of studio chiefs faced with spiralling budgets. What- ever else you see up on the screen in Francis Coppola's *The Cotton Club*, you certainly don't see 48 million dollars. This celebration of Harlem's famous black jazz club—part gangster film, part musical—doesn't reflect its Midas cost in either the scope of its story or the stardom of its cast. The first is a confusing, claustrophobic frenzy of tributes, shadows and machine-guns, as if *The Godfather* had been remade by Alfred Hitchcock. And the second is an omnium gathering of sub- stellar character actors—Gregory Hines, Bob Hoskins, Fred Gwynne, Lonette McKee—led by a single superstar, semi-incog- nito in dark glasses and Ronald Colman mustache, Richard Gere.

Not only the budget went out of control, it seems, but the whole notion of what the film was supposed to be. Based on the between-the-wars niterie where all-black performers played to all-white customers and the famous foregathered, from Lucky Luciano to Charlie Chaplin, the movie's music-and-melodrama mix went through some 30 script drafts and one momentous change of director, when producer Robert Evans gave up doing the job himself and called in Coppola.

Coppola's recent history of directing minority curios—*One From the Heart*, *The Out- ciders*, *Rumble Fish*—has per- haps destabilised his judgement in handling commercial projects. *The Cotton Club* is a riot of inflated inconsequences. We never know why we are sup- posed to be interested in the desultory dashings of its hero—cornet player turned male escort turned film star, Richard Gere—as he goes about mak- ing deals and laying down the law. The film is a mess of who is doing what to whom among the big- time gangsters ballooning across the screen like a series of human dirigibles (though James Remar curls a mean lip and a warty French charlatan as "Duke" Schultz). And when- ever the film throws us into a hotel room for a brief snatch of romance—all while between Gere and Diane Lane, or all-black-between Hines and McKee—all we want to do, exhausted

by the directionless slam-bang- ing of the plot, is lay our heads on the pillow and catch forty winks.

The only possible approach to this movie is to cut yourself adrift from all narrative expec- tations and just bob along on the resplendent tide of the music and visuals.

Designer Richard Sylbert has turned 1920s Harlem into a frenzy of Art Deco angularity and Fauvist figurations, dunked in amber and silver. Stephen Goldblatt's photography, with its smoke-diffused interiors and visual flourishes (a lace curtain casts a Sternbergian netting of shadow over two bodies during love-play) is equally dazzling. And the musical numbers are so vibrant—Gregory Hines soft-shoeing under a cataract of light, Larry Marshall dervish- ing in white bells through a pas- siche of Calloway's "Minnie the Moocher," the whole cast (or nearly) uniting in a Grand Central Station kneep-up—that you can almost forgive the film's lack of plot and character-appeal for its multi-sensory pizzazz.

Almost, but not quite... Is romance dead? Not according to Meryl Streep and Robert De Niro, who in *Falling in Love* give us two starchy-eyed hours of the eponymous activity. He is a married con- struction engineer, she is a ditto graphic artist and they meet in a Christmas present collision in Rizzoli's bookshop, Manhattan. He says to her (on the train home they both live on Long Island). "You're very beautiful." She gives a nervous Streep giggle, which

recalls, couldn't make bricks without straw. De Niro and Streep can, which only proves that civilisation has advanced in 3,000 years.

Ever since she giggled her way into a nation's heart in *TV's Loughlin*, Goldie Hawn has been serious-acting her way out of it again in her movies. From the Women's Lib moralising of *Private Benjamin*, a girls-in- khaki comedy with all the humour of a lead-lined femi- nist polemic, to the political sermonising of *Protocol* it is but a short step.

The would-be dizzy Goldie here plays a nightclub waitress rising to Washington heights as a celebrity (she saves an Emir from assassination) and then as a hostess-cum-tour-guide for foreign diplomats. En Route she uncovers a scandal and chicanery, trades laughter and tears with the most wooden set of supporting characters since *Thunderbirds*, and ends up all sooty-eyed reading the Declara- tion of Independence off a Washington monument wall while the violins swell. Frank Capra used to do this sort of thing in his sleep—*Mr Deeds Goes To Town*, *Mr Smith Goes To Washington*, etc—which is perhaps the best way to do it.

Porker, directed by tele- vision's Jim Goddard (of *Reilly and Kneeney*), resembles an episode of *2 Cars* which has suffered concussion. Taking a simple if globe-hopping plot—UK-based Aussie businessman Bryan Brown is released un- harmed from a kidnap in West Germany and tracks down his mystery captors—it cracks it into kaleidoscope fragments.

daughter of the Merryotts' house maid, now a successful dancer, is reported killed on the last day of the war. This is virtually all there is of a plot, and it is never treated with any depth. We get a hint of Cowardesque dialogue now and then, not sustained.

The sense of public excite- ment is stimulated by lining the upper balcony with crowds who look down at what is going on below, joining in if necessary with cheers or applause. "Twentieth Century blues" is the only original song worth its place. The rest of the music is mostly based on popular war- time ditties, which have lasted remarkably well. The effort was praiseworthy, but it was hardly worth while.

Look to the Rainbow/Apollo

Antony Thornecroft

American tourists, heaving done their duty to the London theatre at the National and the Barbican, might like to unwind with that familiar Broadway face Jack Gifford, who for two hours guides them benignly through the life and music of Yip Harburg.

Harburg may not be a famous name but he was very well known to Harold Arlen, Jerome Kern, Vernon Duke and more; he wrote the words for their melodies. Robert Cushman assembled around 40 of his lyrics, attached a few his- torical words and had a success at the King's Head pub. This is a speedy transfer.

Transfers from the King's Head can be daunted by a bigger stage. The cast has been boosted from five to six, and the musicians from two to 12. More to the point another Broadway name, Luther Henderson (of *Alb's Mischief*) has arranged the music for the band, perched high above the action. It is a sweetly done, careful not to get in the way of the words, the purpose of it all, but smooth.

Saleroom/Anthony Thornecroft

Buyer's hustle

There was much hustle in the salerooms yesterday with Sotheby's in London coping with three important morning sales while Christie's in New York cleared up after an important auction of contemporary art which totalled \$4.2m (\$3,940,275).

"Untitled," a 1960 oil by Franz Kline, sold for \$692,914, an auction record for the artist. The rest of the sale went very much to plan, some expensive pictures selling, some not. Over 50 per cent was unsold; about average for a contemporary auction.

"Woman, Wind and Window II," by de Kooning found a buyer at \$389,764; a large Morris Louis canvas, "Mn," made \$203,150; "Ave Maria" by Hans Hoffman, \$216,585; and "The Forest" by David Smith, painted and welded steel on a wooden base, \$207,874.

Sketches made by a Lutheran pastor while travelling in Africa and Asia in the 18th century attracted a great deal of interest at Sotheby's travel sale. Jan Brades had a quaint eye, and Arader, the Philadelphia dealer, paid \$35,000 for the group, well over twice Sotheby's high esti- mate.

WORLD VALUE OF THE POUND every Tuesday in the Financial Times

Aid, trade and subsidies

New era for stock markets

Security Analysts felt by a fifth in the early years.

Another general theme has been that deregulation, once started, had important hold in check, and the uptick can be far-reaching and quite unpredictable.

Immediately after May Day, Goldman Sachs tried to set a new price on the market by announcing an 8 per cent cut on all institutional trades. In the event, discounts dropped like a stone for several years. Having averaged around 40 per cent since the late 1970s, the market now shows signs of widening further.

As for unpredictability, no one could have foreseen that the growth of discount broking

trading and regulation.

New capital has poured into the London market, a much earlier stage than did in the U.S., and big commercial banks have made a major commitment to providing a full line securities business. For these reasons, the all but inevitable shut out of London could be longer and messier than it was in New York.

But there is little doubt that over the long term, deregulation will make markets more healthy and efficient. The New York Stock Exchange now has 25 per cent more member firms than it did at the end of 1974—and no one wants to turn the clock back.

A lid on the pressure cooker

THE POWER IN THE WARSAW PACT

The diagram illustrates the command structure of the Warsaw Pact. At the top is the Political Consultative Committee, which oversees the Committee of Defense Ministers and the Warsaw Pact Commander-in-Chief. The Committee of Defense Ministers includes Soviet, East European, and Soviet deputy members. The Warsaw Pact Commander-in-Chief is supported by an Assistant Committee and a Military Council. Below the Commander-in-Chief is the Warsaw Pact Chief of Staff, who also oversees the East European and Soviet deputy chiefs of staff.

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graph TD; PCC[Political Consultative Committee  
Communist Party leaders of the  
seven member countries] --- CDM[Committee of Defense Ministers  
Nine members: three of them  
Soviet, headed by Soviet  
Defense Minister Marshal S. Sokolov]; PCC --- WPC[Warsaw Pact Commander-in-Chief  
Soviet Marshal V. Kulikov]; CDM --- WPC; CDM --- A[C]; WPC --- MC[Military Council  
Training and exercises  
headed by Marshal  
Kulikov]; WPC --- WPCSt[Warsaw Pact Chief of Staff  
Soviet General A. Gribov]; WPCSt --- E[East European  
deputy WP chiefs  
of staff]; WPCSt --- S[Soviet deputy  
WP chief  
of staff];
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Marshal S. Sokolov

Marshal V. Kulikov

(presumably since Lord Templeman made a dramatic intervention in the case three years ago) for the chance to say one thing

management consultancy where he was a partner. The last vessel was the grandest, the \$150m Royal Princess cruise

Observer

■ Full Singer	12 1/2%
C. Hoare & Co.	12 1/2%

1 Demand deposits 9 1/2%.



FINANCIAL TIMES

Friday May 3 1985

BELL'S
SCOTCH WHISKY
BELL'S

Italy faces slower economic growth

By James Buxton in Rome

ITALY faces slower economic growth and a sharply higher deficit on the balance of payments current account, the Italian Government warned yesterday.

Also, the government-funded economic forecasting organisation, said that growth this year would be about 2.3 per cent, compared with its figure for last year of 2.8 per cent, while the current account deficit would reach L.8,500bn (\$4,27bn).

This compares with a current account deficit for last year of more than L.5,000bn. Also, also made discouraging forecast for 1986.

It said that inflation this year would on present trends average 8.5 per cent. This means that the Government target of an average inflation rate of 7 per cent would not be attained.

Last month inflation ran at an annual rate of 8.8 per cent.

The forecasts confirm the views of several ministers and qualified observers that the Italian economy faces a far more difficult year than it enjoyed in 1984.

It also attributes the continuation of a fairly high inflation rate to the difficulties of containing state spending. It also warns that the international economic climate is becoming less favourable to expansion, without an easing of the tension in world financial markets.

There is a danger, it says, of the cost of money remaining high and having a damaging effect on Italy, which is heavily in debt both internally and externally.

It points out that not only is the Government approaching important local elections, due on May 12, which make unpopular economic measures virtually impossible, but that Italy also faces a referendum on wage indexation, set for June 9, which could set off a new rise in labour costs.

It said that if the authorities do not take corrective action, growth next year will decline to about 2 per cent, inflation will descend only to 7 per cent and the current account deficit will decline only slightly to L.7bn.

Home investment pledge, Page 2

London to sell final 48.8% Britoil stake

Continued from Page 1

account receipts of about £30m from the repayment by the company of a debenture stock.

The small shareholder bonus is payable this November and entitles individuals who bought no more than 2,000 shares in the first offer for sale and retained them for three years to a bonus issue of one further share for every 10 shares held.

The initial sale of shares in Britoil, which had been the production arm of the British National Oil Corporation, was a flop, with about 70 per cent of the shares being left with the underwriters. The share price is now 220p, against the original 1982 offer price of 215p and shows some capital gain for those who still have their shares from the original offer.

At 220p a share, the sale would net about £340m for the Government.

The Government will retain its "golden share" in Britoil, which is designed to prevent the company being taken over without Government approval.

Britoil is the UK's largest independent oil company producing oil at a rate of 170,000 barrels a day, almost all of it in the North Sea. In March, the company announced record pre-tax profits of £380m, and at that time the company's chairman, Sir Philip Sheldrake, said that until the Government sold the rest of its shares, the company was unable to use its shares to make acquisitions.

Stockholm fears impact of strikes on economy

By David Brown in Stockholm

SWEDEN'S white collar government workers union, which has severed all domestic and international air links, frozen railway freight movements and crippled foreign trade in a day-old selective strike, faces retaliatory action today as the nation's labour unrest escalates.

A Government negotiating board will announce details of a lock-out which will affect 100,000 members of the TCO-S union starting today. It is aimed at forcing an early settlement of the strike.

The conflict is emerging as a serious threat to the Social Democratic Government's economic strategy, just as the hotly contested national general election campaign gets underway.

TCO-S leaders yesterday called

out on strike 20,000 key state workers - including air traffic controllers and customs officers as well as a number of policemen and other public servants - in support of a controversial retroactive pay claim.

After a Government-appointed mediating commission emerged empty handed from last-ditch bargaining sessions yesterday, neither side was optimistic about the prospect of an early settlement.

Prime Minister Olaf Palme called the strike decision "treacherous," pointing to the union's previous agreement to keep its wage demand within the Government's voluntary limit. While dismissing speculation of direct intervention on the labour market, he refused to rule out the possibility.

Mr Kjell-Olof Feldt, the Finance

Minister, warned of the "grave economic consequences" of a protracted strike.

The 265,000-member union of white collar state employees says its wages fell behind those of private sector workers by 3.1 per cent in 1984, and it is seeking compensation this year.

The Government has flatly refused, partly in an effort to hold back similar inflationary demands from the rest of the public sector.

TCO-S says its strike fund is adequate to support an action until the general election this September but a conflict of this duration is thought highly unlikely.

Sweden's biggest post-war labour battle in 1980 lasted only two weeks, but it shaved half a percentage point from that year's GNP.

Wells Fargo to close London branch in foreign restructuring

By our Banking Correspondent in London

WELLS FARGO, the large Californian bank, is to close its operations in London as part of a reshaping of its foreign business.

Its decision marks by far the largest departure from the London banking scene in recent memory and means London can no longer claim to host the 100 largest banks in the world.

Wells Fargo is the 12th largest bank in the U.S. and 70th in the world league prepared by The Banker magazine.

Wells Fargo has been represented in London since 1969 and has a branch as well as a finance house subsidiary, Wells Fargo Ltd. It has surrendered its licence as a UK recognised bank.

Staff were notified yesterday that their employment would cease on September 30. The bank currently employs 58 people, down from a total last year of 75. The branch acted as a co-ordinating centre for the bank's business in Europe, Africa and the Middle East, and this will be transferred back to the headquarters in San Francisco.

The decision to leave is part of a broader strategic move to concentrate the bank's activities on the California market and the Pacific rim. Branches in Madrid, Jakarta, Kuala Lumpur, Bangkok, Manila and Taiwan are also being closed.

In addition, the bank is shutting down its Edge Act branch in New York through which it is permitted

to finance international trade outside its home state.

In future, its international business will be grouped round California, Hong Kong, Tokyo, Seoul and Singapore.

London has more than 470 foreign banks and only a few months ago achieved the unique distinction of having the 100 largest when Credit Agricole and Norinchukin Bank, the farm banks of France and Japan respectively, opened branches.

Until Wells Fargo's departure, most of the banks that left were small or regional banks which failed to make a profit on the London market.

UK banks find a capital answer as Lloyds note wins approval

David Lascelles, Banking Correspondent, explains why Lloyds \$600m perpetual floating rate note issue marks a significant advance in funding techniques for British banks.

A PERPETUAL floating rate note deemed convertible into preferred shares hardly sounds like the stuff of drama. But the \$600m issue launched by Lloyds Bank this week marks one of the most significant advances in UK bank funding techniques for many years.

Apart from being the first issue to qualify under the Bank of England's new definition of "primary capital" as a measure of bank strength, it opens up a whole new funding source for banks and should take pressure off the London stock market by reducing the need for rights issues. The strength of bank stocks immediately after the announcement was a reflection of this, and other banks are certain to follow Lloyds before long.

The issue also means that British banks can now raise quasi-equity in a foreign currency, something that has hitherto been impossible for a variety of technical and legal reasons. This should give them a better capital base to expand their foreign business, and reduce the strains they suffer through currency fluctuations when their assets are denominated in dollars and their capital in sterling.

Most important, though, Lloyds has found a way of making the controversial perpetual stock issues acceptable as primary capital in the eyes of the Bank of England, which turned down two issues by National Westminster and Barclays last year. More accurately, Lloyds appears to have persuaded Britain's central bank to ease slightly the rules it proposed last November for perpetuals.

Sir Jeremy Morse, the bank's chairman, had pointedly ruled out a rights issue when Lloyds produced its 1984 results in March. But he also said Lloyds wanted strong capital ratios.

Primary capital is widely used in the U.S. as a gauge of just how fat a cushion a bank has to absorb losses. It is new to the UK, though the Bank of England is keen to see it more widely used, partly to make

international comparisons of bank strength easier.

It consists of shareholders funds, minority interests in other companies, the general reserve against loan losses and - now - perpetual floating rate note issues that qualify. But perpetuals may not amount to more than the equivalent of half the shareholders funds.

Perpetuals have many of the features of equity: they never have to be repaid, and interest payments can be suspended, like dividends, if the bank is doing badly, so investors carry some risk. And for banks keen to build up their capital (at the urging of the central bank apart from anything else) they offered a new and cheaper source of funds; cheaper, because interest payments count as a tax deductible expense while dividends do not.

The key question, though, is what happens to perpetuals if a bank has to go into liquidation.

Normally, debt issues must be repaid. But the Bank of England said in its capital guidelines paper last November that perpetuals would have to be convertible into equity in a crisis if banks wanted to count them as primary capital. That proposal caused a furore because many people thought no one would buy them with this risk, however remote, of losing his money.

The Lloyds issue, however, is not convertible into equity. If the bank

gets into trouble, the notes will be "deemed" to be preference shares, which rank ahead of equity, meaning the holders are less certain of getting their money back, though they will be one step in front of the ordinary shareholders.

The view yesterday among London analysts was that this distinction marked a significant concession by the Bank of England, and makes perpetuals more attractive.

In practice, it is all rather academic since the likelihood of a major British commercial bank going under is virtually nil, and the speed with which the Lloyds issue was snapped up in the Euromarkets shows that investors were just buying the Lloyds name without looking too closely at the fine print - which they could not anyway because the prospectus had not been sent out.

But it was galling news for NatWest and Barclays, which felt their issues were made on terms so close to Lloyds as to make little difference. In fact, NatWest's issue has been seen as primary capital by Standard & Poor's, the U.S. credit rating agency. Both banks are now hoping that the Bank of England may "grandfather" their issues, and recognise them retrospectively.

The potential for new perpetual issues is now enormous. Barclays, NatWest and Midland each has the capacity, analysts estimate, to raise well over £1bn worth each, or a total of more than £3.5bn.

The achievement of a compromise over perpetuals means that most of the fuss over the Bank of England's November paper has now blown over. The other bone of contention - over dated stock - has effectively been settled by the success of issues from NatWest, Rothschilds and the Royal Bank of Scotland, which met the central bank's conditions. The Bank of England had said that debt issues qualifying as secondary capital must not have trigger clauses making them repayable if a bank runs out of reserves. It will be putting out definitive guidelines on capital shortly.

Gandhi rules out Westland helicopter contract

By John Elliott in New Delhi

BRITAIN'S hopes of rescuing a \$58m (£78.6m) Westland helicopter contract in India were dashed yesterday when Mr Rajiv Gandhi, Indian Prime Minister, said in the New Delhi parliament that the order would not go ahead.

In responding to increasing political pressure from the British Government over the order, which is urgently needed by Westland to ease its financial crisis, Mr Gandhi said the helicopter "does not meet the specific requirements" set down by India last year.

The French Dauphin helicopter, made by Aerospatiale, has been the other favourite for the \$58m contract, which includes six special service helicopters. But India might turn to the Soviet Union, its main aerospace equipment supplier, or to the U.S. where Bell Helicopter was initially favoured by the Oil and Natural Gas Commission, which will use 21 of the aircraft.

"We are surprised and it would not be going too far to say we are hurt by the loss of the contract," an official at Westland's UK Headquarters said. "We launched full production of the WG30 to meet the Indian order based on Indian assurances and subject to the WG30 meeting Indian performance requirements."

Frustration in the UK over the now almost inevitable loss of the order plus surprise in New Delhi about the way the British Government has handled the affair publicly, could damage trade relations between the two countries. Although the British Government will probably shrink from a major confrontation, relationships on other major project negotiations could become more tense and difficult.

Neither the British Government nor Westland - which is finalising another contract with India worth £20m for Sea King helicopters - want to upset such an important trading partner. Westland already has a £50m order, signed in December 1983, to supply India with spare parts for about 20 Sea King helicopters.

Mr Gandhi said \$58m of aid allocated by the UK for the order should be used for other purposes and mockingly asked why the UK could not switch the aid to an order for Sea Harriers when it had been willing to use it for "medical vans" in the 1970s. The UK had been asked to do this, he told the Rajya Sabha, India's upper house.

India has been trying to force British Aerospace to reduce its price for the Sea Harriers. But the British Government has refused to use its aid budget for defence orders and last night said it had received no formal request to aid a Harrier purchase.

The British Government now has to make the politically sensitive decision about what to do with the \$58m of aid. Out of annual allocations of £1.15m to India, £45m in aid is due to be handed over this year and £20m next year.

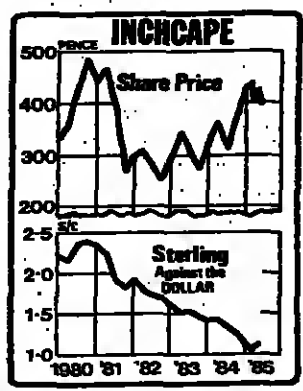
It seems unlikely that the UK will withdraw the aid and use it for other countries or international agencies. Instead, some effort is likely to be made to find other projects in India.

A point of controversy in the affair concerns how firmly the order has been placed with Westland after the Indian Cabinet chose its WG30 helicopter last summer. Mr Gandhi said that no letter of intent had been issued, whereas the UK says that one had been.

The achievement of a compromise over perpetuals means that most of the fuss over the Bank of England's November paper has now blown over. The other bone of contention - over dated stock - has effectively been settled by the success of issues from NatWest, Rothschilds and the Royal Bank of Scotland, which met the central bank's conditions. The Bank of England had said that debt issues qualifying as secondary capital must not have trigger clauses making them repayable if a bank runs out of reserves. It will be putting out definitive guidelines on capital shortly.

THE LEX COLUMN

VW gets back in gear



Volkswagen's recovery in earnings in the past two quarters is even more dramatic than its fall into loss in 1982. But those who responded to yesterday's 1984 results with forecasts of a doubled dividend for 1985, and more than doubled earnings, got small encouragement from the company - let alone the market. This last showed even more than its customary phlegm in leaving VW's share price unchanged at DM 206.5.

The key to last year's net profit of DM 228m was almost doubled U.S. earnings. Volkswagen is not the sort of company to lionise currency gains on German-made VWs, invoiced in dollars, but the decision to use Volkswagen of America to hide Triumph-Adler's future U.S. losses is a back-handed promise of further volume growth. None the less, VW will be vulnerable to a downturn in U.S. consumer spending with the new Golf not yet established in the market, while the recovery in Brazil, through cutting capacity and some ingenious export manoeuvres is scarcely something to bank on.

As for Triumph-Adler, a loss of maybe DM 350m in 1984 would not surprise seasoned watchers of this disastrous investment; and the large write-offs on the office computers in the U.S. might usefully be extended to the company as a whole. Whether VW really can turn round the German computer business through marketing and distribution is matter for belief.

In Europe, the new Golf is doing well and diesel models helped to improve VW's share in a German market in the first quarter which was still clouded by uncertainties about catalytic converters. Even if the cloud lifts, the German market will be down almost although Audi can probably earn enough to cover its parent's dividend on its own. But with heavy capital expenditure going ahead on rebuilding, a rights issue is in the air - giving the Government the chance to reduce its stake by disclaiming its rights.

seemed less interested in the cleansing than in the dust, still clinging to the corners of the Inchcape empire. The group has had to make substantial provisions against both its aviation and capital equipment businesses in South-East Asia, while profits from the Middle East were well down due to losses from the Gulf fleet. Most of Inchcape's difficulties can be attributed to the softness of the international oil market but, as an international trader, the group must expect to take the rough with the smooth.

The group has introduced more rigorous financial controls and is gently directing resources towards less cyclical businesses. But until these efforts are rewarded by a higher dividend - the payment may be maintained this year for the seventh year in succession - the market will continue to emphasise the low quality of Inchcape's earnings and its sensitivity to exchange rates. The shares yield 8.8 per cent, broom or no broom.

underwriting losses. It believes that there is no legal claim against Minet itself, although the fact that a large proportion of yesterday's £2.8m extraordinary debit comprised provisions against legal costs suggests that not everyone may take the same view.

Certainly the names are entitled to feel aggrieved. Yesterday's announcement of a 20 per cent increase in the total Minet dividend, accompanied by an 11p rise in the share price to 245p, will only have rubbed in the wounds. It is plainly illogical that a limited liability company should take a share of the profits of an underwriting syndicate but be effectively sheltered from any losses. Lloyds has been considering whether a "deficit clause" should be incorporated in underwriting agency agreements but so far no action has been taken. If such a clause were included in the agency agreements between members and those that run their affairs, minds would be concentrated wonderfully.

Britoil

It was perhaps no coincidence that the Government chose to slip out the news of the Britoil sale in the House of Commons just after the stock market had gone home for the day. The primary offering was not after all privatisation's first hour and last night Britoil shares were trading at 230p - hardly more than the 215p at which the underwriters took up the unwanted stock in late 1982.

The decision to sell will be most welcome to Britoil and, once the news has been digested to the market. The Government holding in Britoil has been an obvious candidate for disposal and the equity overhang has depressed the price. If the issue's sponsors are anything like as successful at launching Britoil as they have been with British Aerospace, the Treasury should receive more than the £540m implied by last night's price.

There seems precious little reason, however, to retain the golden share once the rest of the equity has been sold. By the time the secondary offering is made, Britoil will have had three years to establish itself as a public company and should sink or swim like everyone else. The Government would after all retain the reserve power to block a hostile takeover through the Monopolies Commission.

Minet

Minet Holdings' decision to pull up the drawbridge and leave the underwriting members of its Richard Beckett agency camped out in the cold demonstrates, if further evidence were needed, how in the Lloyds market unlimited liability can mean precisely what it says. The beleaguered names in the Richard Beckett agency are faced with further losses of £80m while Minet, as a public company protected by limited liability, is in a position to offer little more than sympathy.

Minet has probably taken the only course realistically open to it. The potential losses in the Richard Beckett agency comfortably exceed Minet's own reported net worth and the group can argue with some justice that it is not responsible for the

Inchcape

The new management broom sweeping through Inchcape looks at first sight to be tidying up very nicely. Profits during 1984 comfortably exceeded the previous 1980 peak and, at £78.9m pre-tax, stood almost 50 per cent above the level of the previous year. The dividend, meanwhile, was covered by earnings for the first time in three years.

Yet, in knocking the shares down 30p to 395p yesterday, the market



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First in Futures. FT 3/8

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World Weather

Place	Temp	Wind	Cloud	Pres	Place	Temp	Wind	Cloud	Pres
Amst	18	04	04	1014	Brussels	18	04	04	1014
Antwerp	18	04	04	1014	Frankfurt	18	04	04	1014
Paris	18	04	04	1014	London	18	04	04	1014
Brussels	18	04	04	1014	Amsterdam	18	04	04	1014
London	18	04	04	1014	Paris	18	04	04	1014
Amsterdam	18	04	04	1014	Brussels	18	04	04	1014
Paris	18	04	04	1014	London	18	04	04	1014
Brussels	18	04	04	1014	Amsterdam	18	04	04	1014
London	18	04	04	1014	Paris	18	04	04	1014
Amsterdam	18	04	04	1014	Brussels	18	04	04	1014
Paris	18	04	04	1014	London	18	04	04	1014
Brussels	18	04	04	1014	Amsterdam	18	04	04	1014
London	18	04	04	1014	Paris	18	04	04	1014
Amsterdam	18	04	04	1014	Brussels	18	04	04	1014
Paris	18	04	04	1014	London	18	04	04	1014
Brussels	18	04	04	1014	Amsterdam	18	04	04	1014
London	18	04	04	1014	Paris	18	04	04	1014
Amsterdam	18	04	04	1014	Brussels	18	04	04	1014
Paris	18	04	04	1014	London	18	04	04	1014
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Travis & Arnold
Timber, Building Materials, Heating and Plumbing Equipment for the Construction and Allied Trades - Northampton 52424.

SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Friday May 3 1985

TAYLOR WOODROW
TEAMWORK IN DESIGN WORLDWIDE

VW more than doubles profits in first quarter

By John Davies in Frankfurt

VOLKSWAGEN, West Germany's biggest motor vehicle manufacturer, has boosted sales revenue and profit in the first three months of this year as it continues efforts to consolidate its financial recovery in the face of some major problems.

VW's solid performance in the first quarter comes after a strong turnaround to group net profit of DM 225m (\$73m) last year, compared with losses of DM 300m in 1982 and DM 215m in 1983.

With strong impetus from European export markets, VW increased its worldwide sales revenue by 14 per cent to DM 12.4bn in the first three months of this year. Group profit reached DM 140m, compared with DM 51m a year earlier.

VW still has major burdens with its foreign vehicle operations, but overall it is holding up reasonably well among Europe's high-volume car makers.

VW, which is 20 per cent owned by the Federal Government and 20 per cent by the state government of Lower Saxony, has already announced that it will resume a dividend payment of DM 5 a share - the same as its last payout on its 1981 results.

Its return to profitability was out of the blue, after last year's seven-month loss of DM 300m. The House of Commons last week ordered the car maker to pay out for the first time since 1982. Executives claim that the company's financial position was not as bad as it seemed, but the fact remains that VW's loss was down substantially to

VOLKSWAGEN		
	Turnover DM bn	Profit DM m
1979	30.7	687
1980	33.3	321
1981	37.9	138
1982	37.4	300*
1983	40.1	215*
1984	45.7	225

* Loss

VW would have to press ahead with efforts to step up its profitability, he said.

Dr Hahn said that VW was confident about its prospects, but because of seasonal factors sales revenue for the whole was unlikely to show the same rate of increase as the first quarter.

VW and its Audi subsidiary delivered 570,700 vehicles to customers worldwide in the first three months of this year, an increase of 4 per cent on a year ago.

With the West German market unsettled by uncertainty over new car pollution controls, VW and Audi delivered only 165,500 cars to domestic customers, a drop of 15 per cent. But because the overall market fell even more, VW and Audi increased their combined market share to 28.1 per cent from 27.5 per cent a year ago.

Deliveries to customers in European export markets rose by as much as 21.6 per cent to 192,600 in the first quarter, with sales reaching a record monthly total of 74,500 in March.

In the U.S., deliveries to customers were down 4 per cent at 64,000, although VW said this decline reflected its efforts to build up stocks, which had been depleted last year.

Dr Hahn said that VW believed that this year the car market in Western Europe as a whole and in the U.S. would remain at about the same level as last year. In West Germany, however, the market could decline by about 8 per cent this year, after showing a drop of as much as 17 per cent in the first quarter.

VW's South African operations have also emerged as a problem area because of a sharp drop in the local market. After a profit of DM 12m in 1983, VW made a DM 51m loss in South Africa last year.

Dr Carl Hahn, VW's chief executive, said that VW's group profit last year was still not good in relation to sales revenue, which rose 13.9 per cent to DM 45.7bn, nor in relation to the risks run by a company operating worldwide.

Clore faces proxy battle

By Our New York Staff

MR ALAN CLORE, the wealthy British investor who is trying to turn round Gulf Resources and Chemical, a Houston-based natural resources group, is facing a fierce proxy battle with a group of dissident European and U.S. shareholders.

Mr Clore is the son of the late Sir Charles Clore, founder of the Sears Holdings empire. He owns over 20 per cent of Gulf and took control of the company in 1983 after a bitter proxy fight. He is being challenged by a group of shareholders who own 5.95 per cent and plan to nominate their own slate of directors at Gulf's annual general meeting in Salt Lake City on May 14.

The dissident group is being led by Mr David B. McKane, a private investor, and Mr Bengt Odner, a businessman based in London. The shareholder committee includes Mr Norton Klendall, a vice-president on temporary leave from Kidder Peabody, and several Norwegians.

The group's prospective directors include Mr James P. Schadt, president and chief executive of Cadbury Schweppes, Mr Carl Reuterskiöld, chief executive of Swift, and Mr Ian Nelson, president of Kandahar Development, a Canadian real estate group.

Gulf Resources' shares were unchanged at \$18 1/8 in early trading yesterday, capitalising the company at \$154m.

Security Pacific to buy Control Data credit unit

SECURITY PACIFIC, the U.S. west coast banking group, is negotiating to buy most of Commercial Credit, the billion-dollar financial services arm of computer group Control Data, AP-DJ reports from Los Angeles.

The agreement could be reached as soon as next week and carry a price of about \$800m, it is understood. Security Pacific would buy Commercial Credit's nationwide network of consumer and commercial lending offices as well as several other operations.

Federal banking regulations might preclude Security Pacific from buying Commercial Credit's

life, health and casualty insurance operations or its 21 per cent interest in Inter-regional Financial group, a securities brokerage concern.

Mr William F. Ford, a Security Pacific vice-chairman, who heads the team negotiating with Control Data said: "We have a serious interest in negotiating with Control Data as many of the businesses they wish to divest fit in very well with our strategic business plan."

Control Data said: "We're proceeding with the process of talking with interested buyers but we have nothing to report."

The sale would benefit both sides.

Control Data sorely needs the proceeds to finance its flagging computer businesses and Security Pacific has been frustrated in its attempts to expand its financial services empire.

In March 1983 Security Pacific thought it was going to be able to buy commercial finance subsidiaries from Walter E. Heller International for \$400m. But just two weeks later it was outbid by Fuji Bank, which offered \$425m.

Last August, Security Pacific was negotiating to buy the finance subsidiary of Allied-Chalmers Corp for about \$190m. But that agreement fell through last autumn.

Chevron wins oil contract settlement

By William Hall in New York

CHEVRON, the third biggest U.S. oil group, is to be paid \$350m by Southern California Edison, a large electrical utility, which broke a 10 year oil supply contract entered into before the current drop in world oil prices.

Southern California Edison, announcing the settlement of its three-year legal battle with Chevron, noted that if it had not terminated the contract, its 9m customers in the Los Angeles area would have had to pay over \$1.3bn more for their electricity.

Chevron was Edison's principal supplier in the 1970s, when the utility was one of the largest oil consumers in the U.S. and there were concerns about the availability of crude oil supplies because of Arab oil embargoes.

In 1978 Chevron built facilities to supply Edison with 40m barrels a year of low-sulphur oil at a formula price. In order to meet California state air pollution laws, Edison was required to burn expensive low-sulphur oil.

In the early years of the contract, Chevron provided an assured supply of oil and saved Edison's customers an estimated \$100m. However, during the early 1980s the world fuel supply and price situation changed dramatically. Natural gas supplies became abundant and Edison was able to increase low-cost power purchases from the Pacific north-west and south-west. As a result, its oil demand was reduced substantially and in 1982 Edison stopped buying oil under its Chevron contract.

The latest settlement includes a new oil supply contract, allowing Edison to require Chevron to supply it with oil on short notice at a market price. Edison will pay Chevron \$9m annually for the standby oil supply service.

This is the second major settlement for Chevron in the past year.

Bronfman's to tighten grip on Seagram

By Robert Gibbons in Montreal

PLANS BY Edgar and Charles Bronfman to cement family voting control of the Seagram Company, the world's largest distiller and owner of nearly 25 per cent of Du Pont Company, are running into some resistance in Canada.

At the Seagram's annual meeting in Montreal on May 22 the Bronfmans will propose that Seagram common shares would be split into class A subordinate voting shares carrying one vote each and class B shares carrying 10 votes each.

The subordinate voting stock would remain listed on the stock exchanges but not the class B shares.

At the Seagram's annual meeting in Montreal on May 22 the Bronfmans will propose that Seagram common shares would be split into class A subordinate voting shares carrying one vote each and class B shares carrying 10 votes each.

The Bronfman family, including the four children of founder Samuel Bronfman, own 39.8 per cent of the existing common shares, down 40.9 per cent recently because one family member sold nearly 1m shares after other members of the family failed to exercise their right of first refusal.

The Bronfmans say their share plan is designed to prevent control

of Seagram falling into other hands. Under some circumstances, the plan would mean that the Bronfmans could hold more than 80 per cent of the votes.

Some members of the Canadian investment community are advising Seagram stockholders to oppose the plan on the ground that two classes of stocks with different voting rights should not exist and control should not be separated from ownership.

The subordinate voting stock would remain listed on the stock exchanges but not the class B shares.

At the Seagram's annual meeting in Montreal on May 22 the Bronfmans will propose that Seagram common shares would be split into class A subordinate voting shares carrying one vote each and class B shares carrying 10 votes each.

This took six-months earnings to \$240m or \$2.17 a share, against \$218m or \$1.94, Revenue edged up from \$2.16bn to \$2.24bn in the first half, and from \$2.17bn to \$2.18bn in the second quarter.

Bank of Boston to curtail bond trading

By Our Financial Staff

BANK OF BOSTON, the biggest bank in New England, plans to reduce its U.S. government securities business "in an orderly fashion" to shift resources to more profitable areas.

The bank, the 18th biggest U.S. bank holding company, said the government bond market had become very competitive and required more resources than it was willing to devote to ensure profitability.

It will continue to trade in government bonds for its customers.

Husky gas strike

HUSKY OIL has reported "significant quantities" of natural gas and condensate in the Chebucto K-90 well, off Nova Scotia.

Bow Valley Industries, Durham Resources and Scotia Energy Resources are partners with Husky in the discovery, which had an aggregate flow of 44.5m cubic feet of gas daily and 324 barrels of condensate.

Britoil

It was perhaps a surprise that the Government's return to profitability was out of the blue, after last year's seven-month loss of DM 300m. The House of Commons last week ordered the car maker to pay out for the first time since 1982. Executives claim that the company's financial position was not as bad as it seemed, but the fact remains that VW's loss was down substantially to

May 3, 1985

Ente Nazionale per l'Energia Elettrica (ENEL)

SDR 100,000,000

Floating Rate Debentures due 1986

Extendible at the Debenture Holder's Option to 1989. Guaranteed by the Republic of Italy

In accordance with the terms and conditions of the Debentures, notice is hereby given that for the Interest Period commencing on May 7, 1985 the Debentures will bear interest at the rate of 8 1/4% per annum. The interest payable on the relevant Interest Payment Date, November 7, 1985 against Coupon No. 9 will be SDR 226,402.8.

The US\$/SDR rate, which will determine the US\$ amount payable in respect of Coupon No. 9 will be fixed together with the Interest Rate for the period commencing November 7, 1985, on November 4, 1985.

Fiscal Agent:
ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

Beecham spends £40m to lift antibiotic output

By Tony Jackson in London

BEECHAM, the UK pharmaceutical group, is to invest £40m (\$40m) at Irvine in Scotland to expand production of antibiotics. About 150 new jobs will be created.

The plant will produce clavulanic acid, the substance discovered by Beecham, which hinders bacteria from building up resistance to penicillins. It is used in two Beecham antibiotics - Augmentin, first introduced in the UK in 1981, and the more recently launched Timentin.

Beecham is one of the world's biggest penicillin producers, and concentrates much of its basic production at the Irvine site, which already employs 700 people. Augmentin was first introduced to the U.S. market last September, and is expected to be launched in Japan later this year. Timentin will be launched in the U.S. on May 8. Growth in both products has made it necessary, says Beecham, to increase capacity for clavulanic acid and potassium clavulanate, the substance

from which the acid is made. Clavulanic acid acts by inhibiting the enzyme known as beta-lactamase, which bacteria produce to combat the action of antibiotics. It can be combined with most penicillins to strengthen their effectiveness. Beecham, which played a major role in the first commercial development of penicillin some 25 years ago, has retained its emphasis on penicillins since then.

Some other drug companies have preferred to concentrate on the newer class of antibiotics, cephalosporins, some of which have built resistance to beta-lactamase. Unlike penicillins such as Augmentin, cephalosporins cannot normally be taken orally, but must be injected. Much of the Irvine factory output is exported to Beecham factories overseas for further processing. The rest goes to Beecham's factory at Worthing, which supplies the UK and also ships finished products abroad.

NEW ISSUE

All these securities having been sold, this announcement appears as a matter of record only.

April 1985



NISSHINBO INDUSTRIES, INC.

(Nisshinboshi Kabushiki Kaisha)

¥15,000,000,000

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ISSUE PRICE 100 PER CENT

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ECU 25,000,000
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S. G. Warburg & Co. Ltd.

Banca Nazionale del Lavoro
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Banca della Svizzera Italiana
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Credito Italiano International Ltd.

April, 1985

Vallourec reduces loss

By David Housego in Paris

VALLOUREC, the leading French steel tubes manufacturer, yesterday announced that it had cut losses by more than half last year to FFr 180.8m (\$18.8m).

The improvement takes account of FFr 48m of provisions on investments abroad and is on the basis of a 9.4 per cent increase in sales to FFr 6.3bn.

The figures are at parent company level, but Vallourec said yesterday that the consolidated results would be slightly better.

Vallourec had a poor first half last year but said that activity picked up in the second half, when results were also influenced by rationalisation under way.

Vallourec is now focusing its activity on seamless pipes for the energy industry and the construction sector.

Wells Fargo & Company

U.S. \$200,000,000

Floating Rate
Subordinated Notes
due 2000

In accordance with the provisions of the Notes notice is hereby given that for the Interest period 3rd May, 1985 to 3rd June, 1985

the Notes will carry an Interest Rate of 8 1/4% per annum. Interest payable on the relevant interest payment date 3rd June, 1985 will amount to US\$74.27 per US\$100,000 Note and US\$371.35 per US\$50,000 Note.

Agent Bank:
Morgan Guaranty Trust
Company of New York
London

INTERNATIONAL COMPANIES and FINANCE

Profits at Johan fall short of forecast

By Wong Sulong in Kuala Lumpur
JOHAN HOLDINGS, the diversified Malaysian group, has failed to match its profit forecast for the year to January, for which it reported pre-tax profits of 18.7m ringgit (US\$3.9m).
Although the result was 42 per cent higher than that of the previous year, it was below the 23.5m ringgit projected when the group made a rights issue last year to raise 72m ringgit. After-tax profit was 6.6m ringgit, 35 per cent higher.
Turnover, which rose 30 per cent to 295m ringgit, was also below the projected target of 500m ringgit.
No reason was given for the poorer-than-expected performance.
The company is giving a first and final dividend of 2.5 per cent on paid-up capital of 127m ringgit, compared with 4 per cent previously. Directors expect the current year's earnings to show an improvement.
AP-DJ adds from Singapore: Keppel Shipyard and its 52 per cent owned subsidiary, Straits Steamship, yesterday announced a reorganisation of their long-making shipping operations in an attempt to regain their competitive position.
Keppel Management, an 80 per cent Keppel subsidiary, will be combined with part of Straits Shipping, a wholly owned unit of Straits Steamship. It in turn will combine its regional coastal shipping division and its international container division.

Higher interest bill hits Tongaat-Hulett earnings

BY JIM JONES IN JOHANNESBURG

TONGAAT-HULETT, the diversified Natal sugar group, boosted sales in the year to March but suffered a 37.4 per cent setback in pre-tax profits, largely because of an interest bill which increased 2½ times.
Turnover of the company—which also has involvements in food, aluminium, textiles and building products—increased by 18.5 per cent to R1.8bn (\$913.7m) again R1.5bn, and operating profits were up 12.3 per cent to R178.0m from R158.7m. But interest payments rose to R103.3m from R89.3m, leaving taxable earnings at R74.7m compared with R119.4m.
Sugar production benefited from good summer rains and Tongaat produced 1.01m tons of raw sugar against 154,400 tons in the previous year. As a result the group's share of the total South African sugar crop rose to 42.5 per cent from 32.6 per cent and sugar's contribution to group profit increased considerably, the directors say.
The food side improved its trading performance, but the building products, textiles and aluminium rolling divisions suffered from declining sales as the financial year progressed and reduced their contributions to group profits.
The directors say that the South African economy deteriorated further than was expected and that interest rates remained at exceptionally high levels. As a result earnings were only 80.2 cents a share against a level of 80 cents forecast by the board at the interim stage. Earnings totalled 118.5 cents a share in the 1983-1984 financial year.
The dividend has been cut to 30 cents a share from 38 cents. Tongaat-Hulett is controlled by Anglo American Corporation.
Associated Furniture (Acol), the major South African furniture manufacturer, enjoyed buoyant sales in the first quarter of its last financial year, but suffered a significant deterioration in revenue in the latter part of the year.
Sales rose to A295.3m in the year to March from R268.1m the previous year. Heightened competition adversely affected trading margins and the sales mix, the directors say.
As a result, operating profits

dropped to R24.6m from R28.3m while after interest charges the decline was steeper, to R15.85m against R25.05m.
Earnings dropped to 80 cents a share from 117.4 cents and the dividend has been reduced to 40 cents from 59.3 cents. Acol is controlled by South African Breweries, the diversified beverages and consumer goods group.
Plascon-Evans, South Africa's largest paint manufacturer, was hit by sharply lower sales volumes and narrower margins in its half-year to March.
Turnover rose slightly to R125.4m from R123.3m, but taxable profits dropped to R7.95m from R13.96m.
In addition to the lower volumes and narrower margins, the directors blame higher raw materials costs arising from the rand's decline for the profits retreat. They add that the first half's interest bill increased to R1.75m from R342,000 because borrowings were higher throughout the half-year.
Earnings per share dropped to 15.5 cents from 20.2 cents. The interim dividend has been reduced to 5 cents from 8 cents a share.

NW Shelf gas export agreement next week

By Michael Thompson-Noel in Sydney

APPROVAL for the \$8.5bn (US\$3.5bn) export phase of the North-west Shelf natural gas project off Western Australia will come on May 10, signalling an end to a case over Australia's biggest resources project.

Representatives of eight Japanese utilities customers for gas from the Northwest Shelf natural gas project will fly to Melbourne for the finalising of the sales contract.

Eventually, the project could help transform Western Australia's economy. Phase one of the project, involving gas deliveries to Perth, came on stream last August.

However, there have been recurrent bouts of concern over the export phase. These were highlighted in part last month when Broken Hill Proprietary (BHP) and Shell Australia moved to acquire control of Woodside Petroleum, the project's key partner and operator, in a cash deal valuing Woodside at A\$800m.
BHP and Shell, which were already the project's biggest partners, said the move was necessary because Woodside was unlikely to complete major refinancing moves in time to commit a start-up of gas deliveries to Japan by October 1988, which is still the target.

Israeli bank out of the red

By David Lennon in Tel Aviv

THE ISRAELI Discount Bank, the country's third largest, has reported consolidated net earnings of US\$4.2m for last year. This compares with a \$35.8m loss in 1983, which was one of the worst years in Israeli banking history.

Total assets of IDB at the end of 1984 remained unchanged at \$10.5bn. During the year it cut staff by 13 per cent and closed or merged 11 branches and service facilities in its drive to return to profitability.

Record for four Japanese food chains

BY YOKO SHIBATA IN TOKYO

MEASURES TO reduce overstocking and improve financial strength have helped four of Japan's six leading supermarket operators to produce record pre-tax profits in the year to February.

Among the six, Seiyu alone suffered a fall in taxable earnings—down 21.3 per cent to ¥6.2bn (\$24.7m), hindered by a heavy burden of investment for future expansion as well as a decline in sales at its existing stores.
The six lifted sales by 3.9 per

cent on average. However, excluding new outlets, sales growth was below the consumer price inflation rate of 2.2 per cent for 1984. The slower sales were attributed to sluggish demand for perishable foods as customers tended to make more use of convenience stores and fast food outlets.
The earnings improvements were thus attributed largely to pure business which has been implemented by the groups since 1983 to improve management efficiency.
Daiei, the largest in the

sector, halted the fall in sales which it had suffered in the previous two years. This was thanks to efforts to revive business at existing stores. The company also trimmed inventories by ¥13.5bn and reduced borrowings by ¥22.2bn.
Ito-Yokado and Jusco—which along with Nichi and Uny reported record earnings—have introduced a fully computerised checkout system which enables the operators to keep a daily monitor on better-selling lines and thus to minimise excess stocks.

JAPANESE SUPERMARKET RESULTS (Ybn): Year to February 1985

Sales	Pre-tax profits	Net profits	No. of new outlets
Daiei	12,824 (+2.5%)	145 (+10.4%)	70 (+8.5%)
Ito-Yokado	9,835 (+5.9%)	386 (+21.4%)	176 (+18.9%)
Seiyu	7,329 (+5.3%)	41 (-21.2%)	32 (-8.6%)
Jusco	7,329 (+5.3%)	191 (+10.4%)	93 (+5.5%)
Nichi	5,444 (+3.9%)	68 (+10.9%)	48 (+2.5%)
Uny	3,957 (+2.4%)	150 (+5.4%)	71 (+3.9%)

Republic Holding S.A. Luxembourg

(formerly Trade Development Bank Holding S.A.)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Republic Holding S.A. (RH) will be held at the Hôtel Royal, 12, Boulevard Royal, Luxembourg at 2:30 p.m. on 14th May, 1985 for the purpose of considering and voting on the following matters:

1. Approval of the Chairman's Statement.
2. Approval of the Statutory Auditors' report and the unconsolidated financial statements of the Company for the year ended 31st December, 1984.
3. Discharge of the Directors and of the Statutory Auditors concerning their duties relative to the year ended 31st December, 1984.
4. Distribution of a dividend of US\$ 1.00 per share and the carrying forward of the balance of the profit.
5. Election of the Board of Directors for 1985. Standing for election: Messrs. Edmond J. Safra, François Lugeon, George B. Balamut, Jean Hoss, Roger Junod, G.G. Rodney Leach, John A. Wasse and Walter H. Weiner.
6. Election of the Statutory Auditors for 1985.
7. Approval of the consolidated financial statements of the Company for the year ended 31st December, 1984.
8. Amendment of Articles 22 and 23 of the Articles of Incorporation to reflect recent changes in the company law of the Grand Duchy of Luxembourg regarding the payment of interim dividends and the repurchase by the Company of its issued shares.
9. Authority to be given to the Board of Directors to redeem up to 10% of the issued shares during a period of 18 months starting from the date of the authorization for a consideration in kind or in cash which will reflect the then current quote on any of the stock exchanges on which the shares of the Company will be quoted for the time being or the average of such quotes for a period to be determined by the Board of Directors but not to exceed one month prior to the respective dates of acquisition.

By Order of the Board,
Edmond J. Safra, Chairman

NOTES: Subject to the relevant resolution being approved, the dividend will be payable on 3rd June, 1985: (i) in respect of registered shares to shareholders on the register as at 1st May, 1985 and (ii) in respect of bearer shares against surrender of Coupon No. 16 to any of the Paying Agents listed below.

Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting in person must produce a depositary receipt or present his share certificates to gain admission. If he wishes to be represented at the meeting, he must lodge a proxy duly completed together with a depositary receipt at the registered office of RH at 13, Boulevard de la Foire, Luxembourg, not later than 14th May, 1985 at 5:00 p.m. The shareholder may obtain the depositary receipt and, if required, the form of proxy from any of the banks listed below by lodging his share certificates at their office or by arranging for the bank by whom his certificates are held to notify any of the banks listed that shares are so held.

Any shareholder whose shares are registered will receive a notice of the Annual General Meeting at his address on the register together with a form of proxy for use at the meeting. The proxy should be

lodged at RH's office in accordance with the above instructions.

The remittance of the form of proxy will not preclude a shareholder from attending in person and voting at the meeting if he so desires.

The resolutions concerning Items 1 to 7 of the Agenda may be passed by a simple majority provided that no single shareholder or proxy may cast votes in respect of more than one fifth of the issued share capital or more than two fifths of all shares represented at the meeting.

The resolutions concerning Items 8 and 9 of the Agenda require a majority of at least two thirds of the votes of the shareholders present or represented, provided there is a quorum of at least fifty percent of issued share capital. There is no limitation as to the number of shares for which any shareholder or proxy may cast votes.

Copies of this notice and of the Annual Report, including the financial statements of RH for the year ended 31st December, 1984, may be obtained at its registered office, and from any of the banks at the following addresses:

- *Manufacturers Hanover Limited, 8 Princes Street, London EC2P 2EN.
- *Banque Internationale à Luxembourg S.A., 2, Boulevard Royal, Luxembourg.
- *Manufacturers Hanover Bank Belgium, 13, Rue de Ligne, 1000 Brussels.
- *Manufacturers Hanover Banque Nordique, 20, Rue de la Ville-Evêque, 75008 Paris.
- *Manufacturers Hanover Trust Company, 40, Wall Street, New York, N.Y. 10013.
- *Manufacturers Hanover Trust Company, Bockenheimer Landstr. 31/33, Frankfurt.
- *Republic National Bank of New York, 452 Fifth Avenue, New York, N.Y. 10018.
- *Republic National Bank of New York, 55 Basinghall Street, London EC2V 5DU.
- *Republic National Bank of New York, 46 Berkeley Square, London W1.
- *Trade Development Bank, 23, Corso S. Gottardo, 6890 Chiasso, I.
- *Trade Development Bank, 30 Monument Street, London EC3R 8LH.
- *Trade Development Bank (France) S.A., 30, Place Vendôme, 75001 Paris.
- *Trade Development Bank (Luxembourg) S.A., 34, Avenue de la Porte-Neuve, Luxembourg.
- *Trade Development Bank, 96-98, Rue du Rhône, 1204 Geneva.

*Paying Agent of Republic Holding S.A.

US\$75,000,000

May 3, 1985

Vizcaya International N.V.

Guaranteed Floating Rate Notes Due 1996
(Redeemable at the option of shareholders in 1992 and 1994)

Unconditionally Guaranteed by

Banco de Vizcaya, S.A.

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period commencing on May 7, 1985 the Notes will bear interest at the rate of 9½% per annum. The interest payable on the relevant Interest Payment Date, November 7, 1985, against Coupon No. 3 will be US\$489.58 per US\$10,000 Note.

Agent Bank

ORION ROYAL BANK LIMITED

A member of The Royal Bank of Canada Group

Series 026

U.S.\$42,000,000

Short-term Guaranteed Notes

Issued in Series under a

U.S.\$280,000,000

Note Purchase Facility

by

Mount Isa Mines

(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983, carry an interest rate of 8½% per annum. The Issue Date of the above Series of Notes is 7th May, 1985, and the Maturity Date will be 7th November, 1985. The Euro-clear reference number for this Series is 12343 and the CEDEL reference number is 877413.

Manufacturers Hanover Limited

Issue Agent

3rd May, 1985

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Washington, D.C.

Multicurrency Financing in the Equivalent of US-\$175,000,000
provided by UNICO-Banks

Co-ordinated by

DG BANK
Deutsche Genossenschaftsbank

DM 200,000,000 7½% Private Placement of 1985/1992

DG BANK
Deutsche Genossenschaftsbank

Genossenschaftliche
Zentralbank AG - Vienna

Rabobank Nederland

Swiss Volksbank

Andelsbanken a/s
Danabank

Crédit Agricole

London & Continental
Bankers Limited

In association with
The Norinchukin Bank

SFRS 75,000,000 Medium Term Loan provided by

Swiss Volksbank

B.E.G. BANK

NLG 50,000,000 Medium Term Loan provided by

Rabobank Nederland

AS 415,000,000 Private Placement of 1985/1990

Genossenschaftliche Zentralbank AG - Vienna

ECU 60,000,000 9½% Semi-Private Placement of 1985/1992

DG BANK
Deutsche Genossenschaftsbank

Genossenschaftliche Zentralbank AG - Vienna

Rabobank Nederland

Swiss Volksbank

Andelsbanken a/s
Danabank

London & Continental
Bankers Limited

CERA-
Centrale Raiffeisenbank

B.E.G. BANK

April 1985

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Kodak blames strong dollar after 27% first-quarter slide

By William Hall in New York

EASTMAN KODAK, the world's largest photographic products group, has suffered a 27 per cent drop in first-quarter net income to \$115.2m.

The group, which has been struggling to regain its former earnings momentum, earned 50 cents per share in the latest three months, compared with 64 cents a year earlier.

The photographic and information management division reported higher volume with U.S. shipments of photographic products leading the way. Volume was also higher in the Eastman chemicals division, but selling prices fell.

Mr. Colby Chandler, Eastman Kodak's chairman, and Mr. Ray Whitmore, the firm's president, say that the "excessively high value of the U.S. dollar continued to be the most damaging factor affecting Kodak earnings."

Other negative factors included lower chemical prices, increased selling expenses, additional charges for depreciation and higher R & D spending for the commercialisation of new products. Lower silver and other raw material prices and higher volume helped offset the impact of the negative factors.

Kodak says that for the balance of 1985 it is looking forward to good gains in volume, based on continuing growth in demand for its products and services. However, the company remains cautious about short-term earnings. It says the overvalued dollar restricts its pricing flexibility, making it more difficult to offset costs associated with the drive to maintain a strong position in existing markets while moving aggressively into new fields.

The group's sales in the latest three months were roughly unchanged at \$2.1bn. Sales to U.S. customers totalled \$1.24bn and to overseas customers, \$780m.

Court blocks Asarco's anti-takeover strategy

By Terry Dodsworth in New York

MR ROBERT Holmes & Court, the Australian entrepreneur, won an important court ruling in his battle to prevent Asarco, the U.S. mining company, from adopting anti-takeover devices.

A federal court judge in New Jersey barred the company from issuing its new series C preferred stock, saying that Asarco had an obligation to change the voting powers within a class vis-à-vis other members of the same class.

The decision, by Judge Dickinson Debevoise, supports Mr. Holmes & Court's contention that the preferred stock violates New Jersey law in that it would change the voting powers of other shareholders.

At Asarco's annual meeting last month, the Australian investor contended that anti-takeover measures "reduce the value of stockholders' investments."

Mr. Holmes & Court, who owns 8.9 per cent of Asarco through Weeks Petroleum, said at the annual meeting that he was not currently intending to make a bid for the company or for MIM Holdings, the Asarco group in which Asarco has a 44 per cent stake. In a proxy statement, however, he has indicated that his purchase of Asarco shares could be made with the purpose of acquiring control of Asarco.

The U.S. company has been suffering from depressed conditions in the mining industry since 1981, declaring a \$216m charge in the fourth quarter of last year. In the first quarter of this year the company reported a loss of \$19m, or 89 cents a share.

KHD lifts dividend to DM 9 a share

By Peter Bruce in Bonn

KLOECKNER Humboldt Deutz (KHD), the West German diesel engine, industrial plant and tractor manufacturer, said yesterday it planned to pay a DM 9 a share dividend for 1984, a 12.5 per cent increase on the DM 8 paid for 1983.

The group, which has already warned that it expects turnover in 1985 to fall from the DM4.6bn recorded last year, said parent company net profits had risen from DM 52.5m to DM 57.7m (\$16.3m) for 1984.

KHD, which is currently negotiating to buy the Motorenwerke Mannheim diesel engine plant from its troubled German owner, Knorr Bremen, and the agricultural equipment operation of Allis-Chalmers of the U.S., said it expected 1985 to produce further "satisfactory results."

Diesel engines account for almost half of group turnover with agricultural machinery a further 34 per cent. Exports and foreign sales represent two-thirds of group total sales.

Strong rise at Selenia

By Alan Friedman in Milan

SELENIA, the Italian state-owned maker of radar, missiles and other electronic equipment, has registered a 27 per cent rise in 1984 net profit, to L20.6bn (\$16.3m).

Sales were up by 25 per cent to L597bn, of which 65 per cent represented exports, against 74 per cent in 1983.

Selenia, which is part of the IRI-STET state holding group, says new orders last year totalled L90bn and investment in research and development amounted to L95bn.

John Davies explains why the West German motor group wants to acquire Daimler-Benz aims to broaden technology base

DAIMLER-BENZ is one of those elite West German companies that combine a genuine sense of history with sharp business acumen. In its flurry of takeover activity lately, "tradition" is a word that has frequently cropped up.

Having developed into one of the showcases of West German industry, the car and truck group has made moves recently to broaden its technology base—but without steering too far from traditional areas.

In February, Daimler-Benz fulfilled a longcherished wish to extend its ownership of the MTU engineering group by buying out its equal partner, MAN, which is recovering from hard times in the truck and marine diesel engine business.

Daimler-Benz more recently grasped the nettle of Dornier, the aerospace group caught up in a bitter and tortuous feud among the heirs of its pioneer founder. The bid to buy a major stake in Dornier is proving a painful experience and the outcome is still far from settled.

In both cases, however, Daimler-Benz executives, led by Werner Breitschwerdt, stress that the takeover moves stem from long-standing links and close co-operation with the companies. They see the moves as a natural broadening of Daimler-Benz's interests rather than diversification into unknown areas.

The MTU group was formed through a merger in 1969 of engine activities carried out for decades by Daimler-Benz and MAN, the aim being to pool know-how and rationalise production.

Daimler-Benz also developed links with Dornier decades ago, when it supplied engines for some aircraft. Purchases of a stake in Dornier long seemed impossible, but with the deepening family feud raising doubts about Dornier's future, Daimler-Benz has been in discussions with family members for about six months.

Although no details have been disclosed, it has been estimated that the two acquisitions would cost Daimler-Benz in the region of DM 1bn (\$320m).

If it succeeds in gaining a major stake in Dornier, this move—taken together with its full takeover of MTU—would strengthen its involvement in future-oriented technologies. This could provide additional avenues of growth, alongside the car business and offsetting the modest prospects in commercial vehicles.

But the traditional pillars of Daimler-Benz activities would still greatly outweigh these new operations. While world sales of Daimler-Benz keeled DM 43.3bn last year, MTU's sales were DM 2.2bn and Dornier DM 1.5bn.

For many years, Daimler-Benz has been a major force in the middle-range



Prof. Werner Breitschwerdt, chief executive of Daimler-Benz which yesterday declared an unchanged DM 10.50 a share dividend

market segment with the 190-series cars and in construction of a new plant at Bremen.

Although the commercial vehicle market has slipped, it is still an important mainstay of Daimler-Benz business and is expected to remain so. But domestic and export markets are less buoyant than a few years ago.

From the top down, Daimler executives have stressed that they still see a strong future in this line of business. A number of truck production projects abroad are going ahead or have been under discussion in recent times.

But the muted prospects in commercial vehicles have spurred Daimler-Benz's interest in other technologies.

MTU, with 12,200 employees, mainly produces large high-speed diesel engines and aircraft engines. Ironically some of its operations derive from the early aero engine business of BMW (Daimler-Benz's Munich car rival), which landed with Daimler-Benz in 1928.

Despite "increasingly difficult and fiercely competitive markets," MTU recently reported that it remained profitable last year.

Part of Dornier's appeal to Daimler-Benz is its high reputation for industrial research. About a third of Dornier's 9,000 employees are engaged in research work, including space

technology, electronics, security systems and medical technology.

But while the momentum of Dornier research is powerful, its dimension is relatively small. Daimler-Benz, which has 200,000 employees, already spends about DM 1.5bn a year on its own research—as much as the entire sales of Dornier.

In explaining the takeover moves, Daimler-Benz executives point out that there are many areas where its activities already touch on those of MTU and of Dornier. The aerospace operations of MTU supplement those of the aircraft company. The moves would strengthen Daimler-Benz's role as a military contractor.

MTU's operations include manufacture of the RB 190 engine for the Tornados combat aircraft, but MTU's civilian operations have been growing in relative importance. Daimler-Benz executives see this trend continuing.

Dornier's military contracts are likewise only part of wide-ranging technological work. Of interest to Daimler is the spillover of technological knowledge from military research to civilian applications.

Further investment, which Daimler-Benz can readily afford, could help build up the potential of both MTU and Dornier, although no plans have been disclosed.

Sharp gain at Hoechst as exports surge

By Our Frankfurt Staff

HOECHST, the West German chemical and pharmaceutical group, has begun this year strongly with a further sharp increase in profits.

The group's worldwide first-quarter profits reached DM 940m (\$266.7m) in the first quarter of this year, 29 per cent ahead of the same period last year. Pre-tax earnings of the parent company showed an increase of 31 per cent to DM 402m.

Prof. Rolf Sammet, chief executive, said that the first quarter's profitability would probably not be maintained throughout the year, partly because of the rising cost of raw materials.

But he saw no sign of any faltering in the world economy and the company was confident of showing good results this year on top of the hefty increases of the past two years.

World sales revenue reached DM 11.04bn in the first quarter of this year, 8.7 per cent ahead of a year ago, while the parent company's sales were 7.4 per cent up at DM 3.9bn.

Exports remain the driving force behind the sale momentum, with the relatively strong dollar and Japanese yen giving German chemicals an extra competitive edge in world markets.

Prof. Sammet said that the parent company earned more than two-thirds of its operating profit through exports in the first quarter. This unusually high dependence on exports contained risks, he added, especially if the dollar fell sharply.

After their recession-induced setback of 1982, Hoechst and

the other big West German chemical groups, BASF and Bayer, have all been benefiting from a surge in the volume of their sales and especially in profitability.

The high dollar has given powerful help, but the companies have also eliminated or greatly reduced problem areas which burdened their business in previous years.

Hoechst increased world sales revenue by 11.5 per cent to DM 41.46bn for the whole of 1984, while BASF showed a 14.9 per cent rise to DM 43.5bn and Bayer a 15.3 per cent increase to DM 43bn.

Profits rose substantially at all three groups last year, with Hoechst's world net profit after taxes reaching DM 1.35bn, compared with DM 909m in 1983.

and only DM 317m in 1982.

All three big chemical groups, which cut the dividend on their 1982 earnings, lifted their payout to DM 7 a share in 1983 results and to DM 9 on last year's earnings.

Prof. Sammet said that the Hoechst parent company had run down stocks in the first quarter of this year, with the result that production capacity was 82 per cent utilised, compared with 85 per cent a year earlier. But the reduction in stocks did not lie behind the strong increase in first quarter profits, he added.

Dr. Wolfgang Hilger, who will take over as the chief executive next month, decried reports that Hoechst under his management would part from its cosmetics and other consumer products businesses.

Swiss insurer sees premium income growth

By John Wicks in Zurich

ZURICH INSURANCE expects group premium income to grow about 10 per cent this year. In 1984, gross premium income rose by 15 per cent to SwFr 9.61bn (\$3.5bn).

Dr. Heinz Portmann, the chairman, said in Zurich yesterday that the company expected a "continuation in the encouraging development of profits."

Last year, parent company net earnings increased by 10.4 per cent to SwFr 112m. An unchanged dividend of SwFr 2.40 a share is proposed.

The improvement in profit last year resulted solely from a rise in investment income. The underwriting loss had grown from SwFr 335.8m to SwFr 402.5m.

The group moved out of the unprofitable medical liability insurance last year and is currently "settling" almost no new business "in the field of environmental insurance."

Zurich Insurance was hit by the strengthening of the dollar during the course of the year. Almost one-quarter of total parent company business comes from the U.S.

At Neuchâtel, the hotel concern, has lodged an appeal with the high court of Canton Zurich against a recent bankruptcy ruling.

Last month the District Court, Zurich declared Nova-Park bankrupt following claims by Credit Suisse in respect of SwFr 60m in outstanding mortgage and mortgage interest liabilities.

Sharp gain for Canadian Pacific

By Robert Gibbons in Montreal

MAJOR GAINS in oil and gas and better performance by the forest products and steel subsidiaries brought a sharp improvement in Canadian Pacific's profits in the first quarter. Earnings were C\$57.5m (U.S.\$42m) or 80 cents a share against C\$33.3m or 46 cents a year earlier, on revenues of C\$3.57bn against C\$3.44bn.

The energy and industrial interests are held through CP Enterprises, CP's 70 per cent owned non-transport holding company. CP's share of CP Enterprises' profits was C\$4.2m in the first quarter against C\$3.7m. But CP's rail operations suffered a slight decline in profits.

Shareholders at the Calgary annual meeting approved a three-for-one stock split effective May 17.

CP TransCanada Pipelines, 41 per cent owned by Bell Canada Enterprises, had lower gas export sales in the first quarter, offset by higher revenues from its expanding U.S. oil and gas operations. Earnings were C\$72.8m or 85 cents a share against C\$59.3m or 56 cents a year earlier. Total revenues were little changed at C\$1.26bn.

The company is boosting oil and gas drilling activity in western Canada this year because of the favourable impact of the recent Ottawa-Alberta energy accord.

The Ontario Securities Commission will launch an electronic quotations system for over-the-counter trading before the year-end.

The aim is to introduce a mini quotation and reporting system similar to the U.S. National Association of Securities Dealers automated quotations (Nasdaq) list.

It is hoped the system will form the basis of a nationwide over-the-counter market and attract more junior listings.

N. AMERICAN QUARTERLY RESULTS

Company	1984-85 1983-84	1984-85 1983-84	1984-85 1983-84
AMERICAN STANDARD Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN GENERAL Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN INTERNATIONAL Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN OVERSEAS Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN PACIFIC Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN UNITED Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN WEST Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN WYOMING Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN ZURICH Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN CANADIAN Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN PACIFIC Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN UNITED Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN WEST Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN WYOMING Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN ZURICH Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
AMERICAN CANADIAN Insurance			
Revenue	1,000	950	1,000
Net profit	100	90	100
Op. net per share	1.00	0.90	1.00
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AMERICAN WEST Insurance			
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UK COMPANY NEWS

BP might bid in a British Gas auction

BY IAN HARGREAVES

British Petroleum could be interested in buying the gas exploration and production interests of British Gas, if the state corporation is privatised, Sir Peter Walters, chairman of British Petroleum, hinted yesterday.

Speaking at the company's annual meeting, Sir Peter said in answer to a shareholder's question, that it was impossible to say how the privatisation of British Gas would affect BP.

"It is possible that the onshore and offshore exploration of gas may be of interest to us," he said. Referring to the safety of British Telecom, he suggested that the transfer of a public sector monopoly lock stock and barrel to the private sector might not be the best way forward.

In his statement to the meeting, Sir Peter shed little other light on the group's plans for spending the £2.5bn cash mountain it had assembled by the end of last year.

"In shaping the future of the company," he said, "we are convinced that size is not an end in itself. Value and return on capital employed are far more important." He pointed to acquisition last year of Amoco's Australian downstream interests as an example of the kind of purchase which interests BP.

Again in answer to questions, he said that the company was glad to have a two-year breathing space without taking major diversification decisions. "The more you look into other people's businesses, the more you should be aware of the pitfalls," he said.

On Kennecott: "We just have to go on trying"

Sir Peter also came in for some strong criticism about the legacy of BP's last major diversification, into mining and minerals through the acquisition of Selection Trust and, via Sohio, a stake in Kennecott.

Sir Peter said that overall the Selection Trust assets had broken even over the years, but that they had also allowed BP to launch a major exploration programme, which was beginning to bear fruit.

This \$40m, five-year programme was now half way to completion, and had turned up some useful deposits. The major decision of the next year, however, would be on the future of Olympic Dam, a major copper mine in South Australia,

which is the subject of a feasibility study now nearing completion. Sir Peter promised a decision by the end of this year.

On Kennecott, Sir Peter acknowledged that the company had been a consistent money loser for both BP and Sohio since the acquisition. "We just have to go on trying," he said.

Sir Peter's remarks on British Gas appeared to take company officials by surprise and were delivered in an off-the-cuff fashion.

But they will be read with great interest in Whitehall, where privatisation plans are due to go before Cabinet shortly. It is widely assumed that Mr Peter Walters, the Energy Secretary, will succeed in persuading his colleagues to sell the corporation as a whole, as British Gas prefers, but Sir Peter's intervention could be influential.

BP played a significant role in successfully contesting British Gas's recently-rejected plan to import £20bn of gas from Norway's Sleipner field.

On the subject of BP's downstream interests in the UK, Sir Peter said that the petrol business was, at the current official price of 204.6p per gallon, just breaking even.

But Sir Peter said the ending of the miners' strike had expected the business and economic environment this year to be "similar to 1984, but with the UK economy slowing down. Competition is likely to remain intense in our major markets."



Sir Peter Walters, chairman of BP... "We are convinced that size is not an end in itself."

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Burmah Oil licence deal with Taylor Woodrow

By Ian Hargreaves

Burmah Oil is on the verge of completing a series of transactions designed to take further a reorganisation around three main businesses.

It has sold, for between \$10m and \$15m (£12m), three crude oil tankers and has reached agreement with Taylor Woodrow to buy stakes in 12 oil exploration licences overseas in the UK.

Official announcements about both these deals are expected shortly. Burmah is also working on an acquisition in the U.S. in the specialty chemicals field, although this deal is understood to be somewhat further from completion.

The three transactions, coupled with ongoing efforts to sell the Quinton Hazell automotive parts subsidiary, follow the disposal of \$60m of assets last year. Burmah also hopes to complete shortly the sale of Tabbert, its West German-based car-manufacturing offshoot.

Burmah, according to its annual report published yesterday, sees its future increasingly in three areas: exploration and production of oil and gas; lubricants, through the Castrol group, and specialty chemicals. It also has a profitable offshore natural gas shipping operation, which is not for sale.

Tanker sales

The sale of the three tankers, reduces Burmah's tanker fleet to four ships. Two of these are ultra large crude carriers, one of which is laid up in Southampton. Two of these are ultra large chartered up to 1988.

The sale being sold have been trading in the spot market, and contributed to a tanker division loss last year of \$5.3m; the ships, the Pearl, the Peridot and the Legacy, are in the 138,000 dwt class.

The expansion of onshore oil interests is in line with Burmah's strategy of trying to broaden the exploration portfolio away from expensive, high risk offshore wells. It has purchased 12 licences from Taylor Woodrow, subject to Department of Energy approval, with interests ranging from 15 per cent to 25 per cent in each licence. The licences chiefly cover land in the Midlands, although one is in Scotland. Operators for the drilling consortia involved are Rio Tinto-Zinc and Cadeca, the Trafalgar House subsidiary.

Burmah's pre-tax profits in 1984, reported last month, rose from \$54.8m to £70m with most of the increase due to an improvement in the lubricants and fuels field and a positive contribution from investment income and unallocated central expenses.

The annual general meeting will be held on May 24, at 11.30 am at the Hospitality Inn, Glasgow.

Underwriting losses during the year reached a record \$44.3m, against \$26.5m in 1983, but much of this rise was offset by buoyant investment income which rose from \$5.9m to \$66.1m. Net profit for the year fell from \$15m to \$14.2m and the Fire Insurance Society paid dividends amounting to \$13m to its parent.

Underwriting results of the Fire Insurance Society were hit hard by the severe weather at the beginning of the year, where some 20,000 bad weather claims were received in January against 15,000 over the rest of the year.

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Why Fleet's not interested in a United front

BY SUE CAMERON

Fleet Holdings, owner of Express Newspapers, yesterday set about undermining United Newspapers' plans to take it over.

The fast-growing United, owner of the Yorkshire Post and of Punch, announced that it planned to bid for Fleet in March. The proposed bid has been referred to the Monopolies and Mergers Commission which is expected to report in about three months' time.

To date, United has disclosed no details of its proposed bid. And Fleet has maintained a low profile, although it seemed clear that it was not enamoured by the prospect of a United takeover.

But yesterday Fleet went on the offensive. In a letter to shareholders, Lord Matthews, chairman of Fleet, spelled out why his board believes that "there appears to be no merit in the approach from United."

The main reasons given are: ● Fleet has performed strongly under an able and proven management team, since its merger from Trafalgar House in 1982. ● Fleet's profits have grown from £2.8m for the nine months to June 1982 to £17.5m for the year ending in June 1984.

● United's acquisitions since 1982 totalled roughly £150m, now needs to devote "a great deal of time" to the management of the "mixture of acquisitions which have already been made."

Lord Matthews insists that "United now has to prove that it has the management skills to match the acquisition ambitions which have already been made."

In his letter Lord Matthews also stresses that Fleet is worth a sum "greatly in excess of the current share price."

This claim seems to be receiving some support from City analysts. Mr Derek Terrington, an analyst with stockbrokers Crispin, Jarman, & Co., says that Fleet's business "on a going concern basis" is worth £1.2m "on a break-up basis."

But that was in March. Last night Mr Terrington's estimate had all been on the basis of Fleet's 1984 figures. He expected the group to do considerably better in 1985 and pointed out that its results could well be on a par with or at about the same time as the MMC report on United's proposed bid. Good results would clearly have an effect on the price United might have to pay.

Mr Terrington described Lord Matthews's letter as "an attempt to pooh-pooh the United bid" while at the same time trying to put a floor under any bid price while also attaching a parachute to it.

The feeling in the City seems to be that because of the personalities involved, Fleet is genuinely anxious to avoid a United takeover and is not chiefly concerned with getting a high price.

But in his letter to shareholders Lord Matthews, who points out that Fleet will be asked to give evidence to the MMC, says that "Fleet has a range of media interests: national and local newspapers, local free newspapers, magazines and so on, all of which play a substantial role in forming public opinion. Your board would therefore expect that the reference will need to consider the overlap among these activities."

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Saudi back £6m Control takeover

By Charles Batchelor

Control Securities, the property group, is to pay £6m for the Manchester Wholesale Centre in a deal which will lead to Mr Nazim Virani, chairman of Balaban, Brewster, replacing Mr Roger van Doninck as chairman of Control.

Mr Virani said yesterday that Control intends to dispose of its non-UK and non-property investments to concentrate on the UK property market. "Control Securities has lost its way in the past," Mr Virani said. "We will give it the leadership it wants. At the moment it has investments in Holland, Australia and South Africa. It is all over the place. We will make it a proper UK property company."

Control's shares, which had been buoyed by takeover speculation, fell 3p yesterday to 39p.

Control has reached agreement in principle with Zelta Assets, a company owned by Saudi interests headed by Dr Samiul Malik, a business associate of Mr Virani, to buy the Wholesale Centre, Rugby Road, Manchester, for £6m.

It will finance the deal by issuing 11m new shares—giving Zelta a 23 per cent stake in its enlarged equity—and by assuming liabilities of £500,000.

Reuters may bid for ailing UPI

By Charles Batchelor

Reuters, the international business information group, said yesterday it is in talks with UPI, the ailing U.S. news agency which filed on Sunday for protection from its creditors.

"We have had various preliminary discussions with those involved with UPI," Reuters said. "We did not arrive at anything substantial and the talks are still continuing."

Reuters refused to disclose what was being discussed but the talks suggest the British agency might emerge as a bidder for UPI alongside Mr Pedro Lopez, a Florida businessman who is already in negotiations to buy the company.

Reuters first held discussions with UPI aimed at a possible takeover of the U.S. company in 1981 but after looking closely at its worldwide operations the British group decided not to go ahead. UPI was subsequently bought by Media News Corporation, a company owned by a number of U.S. newspaper, cable and television station owners.

Reuters last year bought UPI's non-U.S. photo operation and signed a 10-year photo exchange agreement allowing the two companies to use each other's pictures. Reuters' interest in UPI partly reflects a desire to protect the joint picture interests.

A split is believed to have emerged between the two principal shareholders, Mr Douglas Ruhe and Mr William Geissler, over the future of the agency. A U.S. lawyer for Mr Ruhe and Mr Geissler said the agency was on the market for around \$10m (£8.2m).

Freeze-way placing

Free-way, the Scottish food retailer, has raised approximately £500,000 by a private placing of 640,000 of its shares. The fund raising will enable Free-way to accelerate a programme of further development.

Free-way is forecasting profits before tax of £400,000 on turnover of approximately £14m for the year to end May. It intends to obtain a quotation on the USM or a Stock Exchange listing within the next two years.

Iceland Foods

The four executive board members of Iceland Foods have between them sold a total of 640,000 shares in the company—4.5 per cent of its equity—reducing their joint holding to 51.57 per cent. The shares were sold to investment institutions at a price of 48.5p each, raising £24.2m.

The directors said the sales were to meet personal financial commitments and they did not intend to sell any more for the foreseeable future.

Mr Hunting now comments that results at the year end were rather better than expected at the interim stage and he believes the group will be seeing a resumption of profit growth "by the end of the year."

Basic earnings per share are given as 38.9p (56.5p) and 26.0p (24.7p) fully diluted, while a higher final dividend of 4p (3.5p) lifts the total to 7p (6.5p).

Turnover for 1984 amounted to £196m against £177m and pre-tax profits were split as to: engineering £97.9m (£97.8m) and £178.0m (£1.88m); aviation support £78.0m (£68.1m) and £2.2m (£2.94m); resource surveys £21.0m (£21.37m) and £38.0m loss (£58.2m profit). Share of profits, less losses, of related companies came to £1.35m.

Tax charges for the year amounted to £1.16m (£1.58m) and after minorities and extraordinary credits £308,000 (£332,000 debits) and a £1.38m provision, last time, for deferred tax, the attributable balance came through much higher at £5.61m, against £2.77m.

The situation facing our company and other reinsurers is a matter of considerable concern. The loss disclosed on our General business has inevitably had an impact on our capital and free reserves even though our solvency margin continues to be satisfactory. Clearly, however, it is urgent that there should now be a recovery in reinsurance results in order to avoid permanent damage to the international reinsurance markets and this at a time when it seems likely that primary insurers will be particularly in need of strong and secure reinsurance support.

We have, during the last year, also carried out a further review of our underwriting policies. As a result during the recent renewal season we have again cancelled a significant volume of business from certain territories and in certain classes of business. At the same time we have negotiated substantially improved terms under pro-rata treaties and achieved higher rates on our non-proportional portfolio.

With the prospect that the recovery of underwriting results for primary insurers will be slow we believe that we have taken the necessary measures to protect and ensure our future as a leading and secure international reinsurer.

Total Group net premium income at £512 million shows an increase of 18% over the previous year, much of the increase resulting from the effect of exchange rate changes on translation of foreign currencies to Sterling.

The Group result after tax was a loss of £30.8 million compared with a profit of £4.9 million for 1983 as re-stated.

Copies of the Annual Report 1984, containing the Chairman's Statement in full, and a Review of Group Operations for the year, can be obtained from The Secretary.

Mercantile and General Reinsurance

"We believe that we have taken the necessary measures to protect and ensure our future as a leading and secure international reinsurer."

Mr D.M.C. Donald, Chairman

Extracts from the Annual Report 1984.

The results for our General business are again very bad; however, in respect of Life and Continuous Disability business another successful year can be reported.

For Life and Continuous Disability business the growth of premium income has been satisfactory and in our most important market, the United Kingdom, the much lower level of inflation must assist the Life Assurance industry in general.

The experience in Canada, the United Kingdom and Australia has been excellent but less satisfactory in South Africa. Business in the United States continues to experience poor mortality but the terms of trade have improved. We look forward to 1985 with confidence.

We entered 1984 with the hope that the year would mark the turning point for our General reinsurance business but this has not yet been realised. During 1984 it has become apparent that earlier underwriting years are now developing less favourably than we had previously expected and that there is little evidence yet available to suggest that the most recent underwriting year will produce a significant improvement.

Whilst we have undoubtedly improved the composition and the conditions of our portfolio in 1984 the benefits which we should be seeing are, in the short-term, likely to be absorbed by the continuing decline in underwriting results of primary insurance business in many of our most important markets. Against this background we have adopted a more stringent approach to the calculation of our liabilities, which has resulted in the group technical reserves being increased by approximately £150 million during the last year.



The Mercantile and General Group of companies provides a worldwide reinsurance service in all classes of business with offices in the United Kingdom and Australia, Canada, Denmark, France, Hong Kong, Indonesia, Japan, Latin America, Lebanon, New Zealand, South Africa, USA.

The Mercantile and General Reinsurance Company plc
Head Office: Moorfields House, Moorfields, London EC2Y 9AL

DIVIDENDS ANNOUNCED

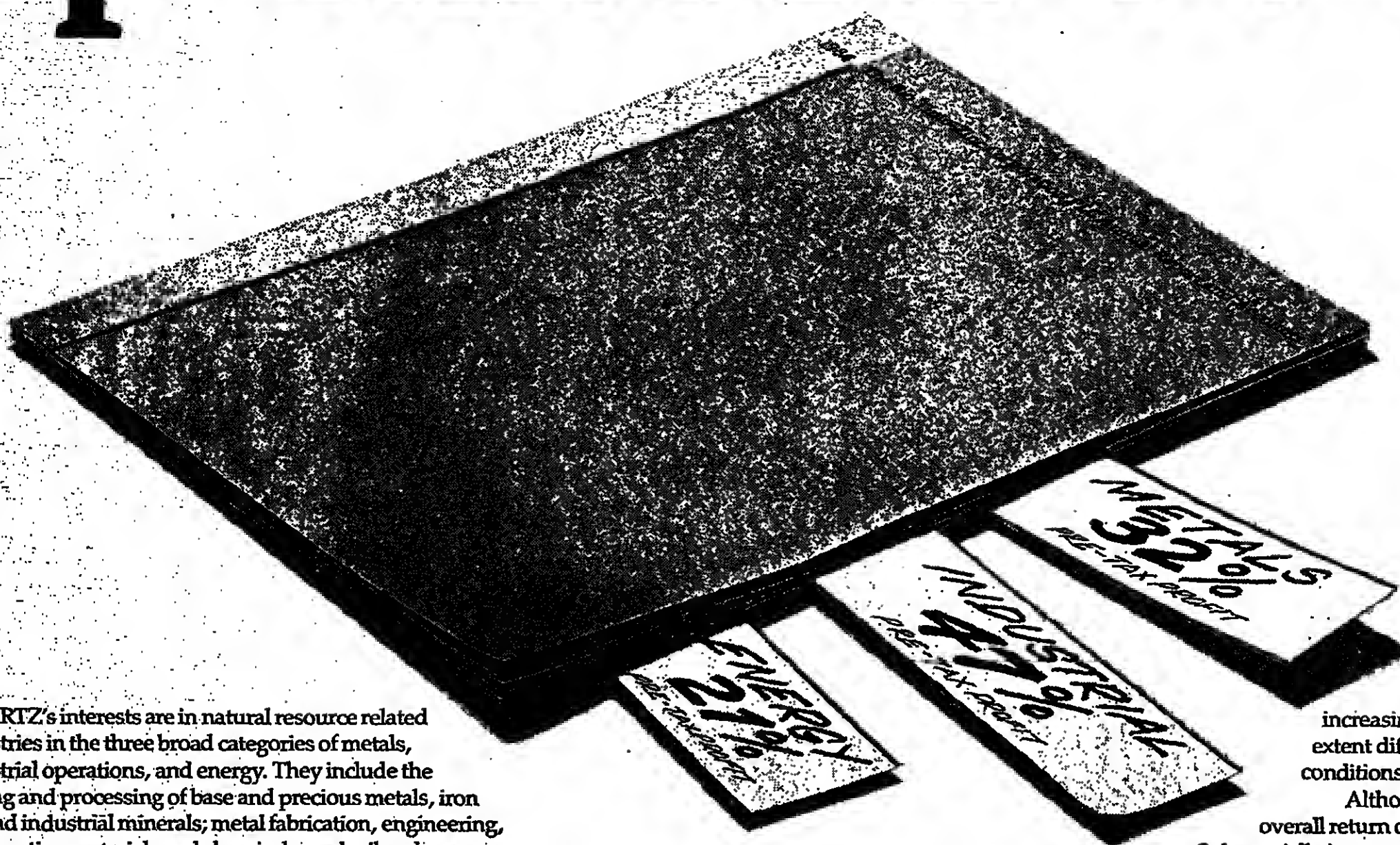
Company	Current payment	Date of payment	Corresponding div. 1984	Total for year	Total last year
Aberdeen Construct.	1.05	July 13	6.5	14.2	11.7
British Inv. and Int.	1.75	July 26	1	3	1
British Syphon	7	July 30	7	10	10
Davis & Newman	2.5	July 1	1.5	3	2
Fleming Far East	1.5	July 4	1.05	1.95	1.75
GR Holdings	1.15	—	15	15	15
High Goforth	15	—	1.67	3.75	3.17
Holt Lloyd	2.17	Aug 2	3.5	5.5	6.5
Hunting Association	11	July 25	2.44	3.64	3.84
Inchcape	0.45	June 6	0.7	—	—
J. C. Lilley	2.44	June 7	2.3	—	6.25
Ramec Oil	0.45	June 6	0.7	—	—
Utd. Wire	1.5	July 1	2.3	—	6.25
Wemyss Int.	8	—	7	—	—

Dividends shown per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Final of 5p forecast. || In lieu of final.

NOTICE TO LOMBARD DEPOSITORS

Rate for depositors entitled to receive gross

RTZ - a balanced spread of activities



RTZ's interests are in natural resource related industries in the three broad categories of metals, industrial operations, and energy. They include the mining and processing of base and precious metals, iron ore and industrial minerals; metal fabrication, engineering, construction materials and chemicals; coal, oil and gas, and uranium production. These interests are held by subsidiary and related companies which in several cases have large public shareholdings.

Review of 1984

RTZ Group sales and profits, move with economic activity in the UK, Japan, the USA and mainland countries of the European Community. With diversified interests, and efficient mines the RTZ Group performed well despite a somewhat stormy business climate.

Metals

Base and precious metals, with iron ore and steel, produced £347 million of pre-tax profit, of which RTZ's attributable share was £167 million, or 32 per cent of the total.

Industrial

Chemicals, metal fabrication, engineering and construction provided £280 million of pre-tax profit, with £247 million attributable to RTZ or 47 per cent of the total.

Energy

These interests comprise oil, gas, coal, and uranium, and provided £174 million of pre-tax profits - £111 million or 21 per cent attributable to RTZ.

Exploration and Research

Exploration, research and other corporate costs amounted to £131 million of which RTZ's attributable share was £101 million.

Chairman's Statement

RTZ's profits have continued to improve. Profit before taxation at £670 million was 16 per cent up; net attributable earnings at £211 million were 22 per cent higher. Earnings per share increased by 15 per cent and it is proposed to raise the dividend for the year to 20p per share.

Excellent figures were again produced by the RTZ Borax and RTZ Pillar groups; these, together with the translation gain on converting dollar earnings into sterling more than offset the generally weaker base and precious metal prices, largely responsible for a disappointing performance by CRA in Australia. In southern Africa, Palabora and Rössing benefited from the weak rand whilst in Canada, Rio Algom had a much better year. In the UK, RTZ Metals also suffered from a poorer mix of metal prices but higher oil production and sterling prices enabled RTZ Oil and Gas to advance its profits. RTZ Cement, by

increasing market share, mitigated to some extent difficult demand/price trading conditions.

Although RTZ's profits have increased, the overall return on capital remains unsatisfactory. Substantially improved profitability of our mining interests awaits higher metal prices.

The strategic direction of RTZ

During the year RTZ restructured its head office and made a number of organisational changes. It now has a smaller executive board who, through the chief executive's committee, provide coherent strategic direction for the Group from the centre without undermining the company's long-standing philosophy of and commitment to decentralisation.

Whilst the last decade has been difficult for the mining industry, RTZ's overall profitability has benefited from the broad spread of our successful industrial and non base metal interests.

Most consistently successful companies have built their success by developing in areas they know well. We see the continued success of RTZ as depending upon our depth of understanding of the changes taking place in mainstream Group businesses combined with an ability to seize new opportunities.

In the future, it is likely that RTZ will expand its industrial and oil and gas interests to develop further the balance of activities, but this does not imply a withdrawal from mining. It is our view that there may be more attractive mining opportunities during the next few years than we have seen in the last decade.

Outlook

World economic activity should expand in 1985, but not as rapidly as in 1984. Our industrial interests, therefore, may find it hard to maintain the pace of improvement achieved over the last few years. On the other hand, there are prospects that some metal prices may rise which would assist the mining operations. In the energy sector, conditions will remain difficult but our oil and gas interests should continue to progress. Currency fluctuations will again have influence and, in particular, a weaker US dollar may adversely affect reported sterling earnings.

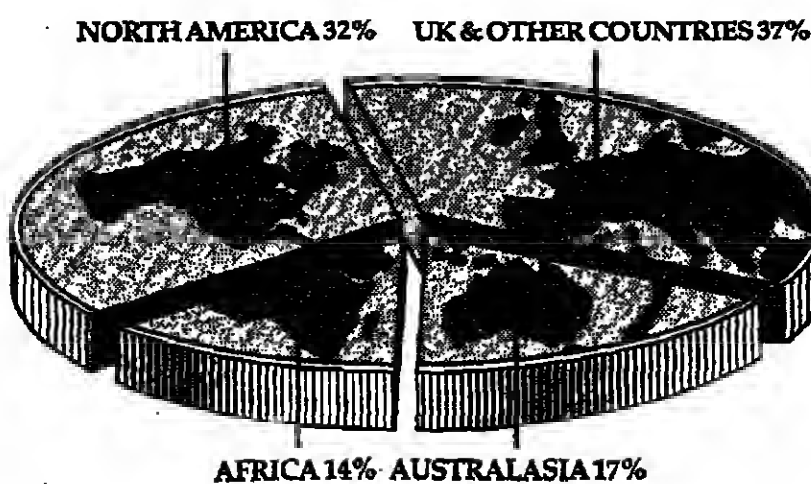
The results achieved in the difficult circumstances of recent years provide a solid base for confidence in the soundness of RTZ Group operations. Their spread and competitiveness are such that we are well placed to create and take advantage of new opportunities.

Alistair Frim
Chairman
6 St. James's Square, London SW1Y 4LD

The year at a glance

	1984 £million	1983 £million
Turnover	5,948.6	4,811.0
Proportional equity basis	3,900.0	3,197.0
Profit before taxation	670.3	575.2
Proportional equity basis	424.0	331.0
Net profit attributable to RTZ shareholders	210.7	172.5
Total RTZ shareholders' funds	2,354.4	2,049.9
Total assets employed	7,012.5	6,098.6
Earnings per ord. share	68.03p	59.31p
Dividends per ord. share	20.00p	18.00p

RTZ's share of pre-tax profit by area



UK COMPANY NEWS

Inchcape at £79m but 'still not good enough'

INTERNATIONAL trader Inchcape benefited to the tune of \$9m from the use of year end exchange rates in 1984, to give taxable profits ahead by £25.9m at £79.9m.

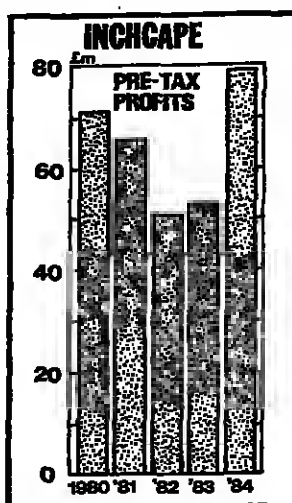
Sir David Orr, chairman, said the figures showed that the group made good recovery from the depressed results of 1982, but added that they "are still not good enough. We have some poor performers which have got to be improved or eliminated and we have got to find faster growth from some of those areas which have greater potential."

The group's shares fell 30p to 395p yesterday.

The tax charge for the year was £47.9m, a rate of nearly 61 per cent and £10.9m up on 1983. Inchcape had hoped to cut its tax rate to around 55 per cent, but unrelieved losses, particularly in aviation and in North America, meant that it missed this target.

The chairman said that the group was working hard to improve this situation, and added "we are giving this very high priority." Despite the tax increase, earnings per share more than doubled to 28.1p.

Turnover expanded by 16 per cent to just over the £2m mark, and produced operating profits of £33.7m against £25.8m. The



figures include nine months operating profit from Specialist Services International acquired and the chairman says that the group has borne the last of three additional contributions to pension funds of £5.5m.

Mr George Turnbull, chief executive, also revealed yesterday that the group had recently

signed a new five-year distribution agreement with Toyota covering Belgium and Luxembourg, and that a similar agreement covering the UK would be signed at the end of the month.

The Far East made the largest contribution, adding £27.2m to operating profits, against £18.4m. This included a "very satisfactory result" from Hong Kong, helped by a substantial increase in trading with China.

The company's two way trade with the Peoples Republic was up by around 25 per cent to £100m last year, and Sir David said that although he expected that the Chinese authorities might tighten up on controls on import licences and foreign currency, he believed longer term prospects were good.

Other notable features of the year's trading included the doubling of the return to £16.5m from India, helped by buoyant tea prices and record production, and the five-fold increase in profits from motor distribution, which contributed £30.6m. The only significant downturn came in the Middle East, where the return slipped from £9.5m to £4.3m.

The final dividend is held at 11p net per share to maintain the total at 18.15p.

See Lex

Good start for enlarged Cookson

BY STEFAN WAGSTYL

Cookson Group, the metals and industrial chemicals company which has expanded rapidly in the U.S. has started 1985 well in many, though not all, its activities, says Mr Ian Butler, the chairman, in his annual review.

The prospects for 1985 are favourable. "The results of the early months of the year have increased the likelihood of it being a successful year."

Mr Butler expresses concern about high real interest rates and "high" levels of public spending both in the UK and the U.S. And he says that results will be affected by exchange rates.

However he adds: "The results for 1984 have placed the group in a much stronger position and the intention is to further this growth if economic conditions do not deteriorate."

Pre-tax profits last year rose by £34.1m to £55.8m on turnover up 49 per cent to £315m. According to the annual report, 40 per cent of the group's operating assets are now in the U.S., followed by 31 per cent in the UK, 16 per cent in the rest of

Europe, and the remainder in Africa, Asia and Australasia.

comment

Investors staring at a chart of the relentless rise of Cookson shares in the past two years from 120p to 708p yesterday would be forgiven for thinking that they can scarcely go much further. The market, it would seem, is well up with events of the company and its busy rationalisation programme and its expansion into new specialised activities, especially in the U.S. Moreover, it might appear that the exceptional elements in last year's £34m profit increase—£25m in currency gains and £8m first-time contribution from acquisitions—are unlikely to be repeated this year. However, this argument gives insufficient weight to the way Cookson has built up strong positions in its markets—even in its traditional activities it has made a point of building up market share for companies which have not been sold off. The group has every chance of beating £70m pre-tax this year, which on a 30 per cent

tax charge puts the shares on a multiple of 9. Clearly, Cookson is still exposed to cyclical influences, since a fair slice of the old Lead Industries survives large discount to the market in the new group. But such a average seems unjustified. While existing shareholders have had a good ride for their money it is not too late for others to join them.

Highcroft

Net profits at Highcroft Investment Trust rose from £165,000 to £183,000 for 1984. With earnings per 25p share shown as moving up from an adjusted 3.01p to 3.35p, following a one-for-one scrip, the final dividend has been lifted from the equivalent of 1.05p to 1.15p, which raises the total from an adjusted 1.75p to 1.95p.

A revaluation of freehold and leasehold properties at the year end showed a total value of £5.98m, including a surplus of £995,623 which has been transferred to reserves.

Aberdeen Construction below expectations

BY JOHN SHEPHERD

Aberdeen Construction Group has failed to meet its profit projection for 1984 following a slump into the red at its Aberdeen Concrete subsidiary.

However, Mr Alan Chapman, the finance director, said yesterday that this subsidiary would "do no worse than breakeven" in 1985 and the group as a whole "should be ahead of 1985's £3.24m pre-tax."

The taxable result for 1984 was down by £378,000 to £4.86m after taking account of the subsidiaries' losses of £223,000 compared with profits of £313,000.

Midway through 1984, group profits were slightly lower at £1.71m (£1.74m) pre-tax and the company said it expected the full year's outcome to be in line with 1983's.

Mr Chapman said that the problem at Aberdeen Concrete was that "orders dropped dramatically" and did not revive. Remedial action had been taken, he said.

Staffing levels were reduced, but he said this was mainly achieved through natural wastage and a handful of redundancies. It is now operating at full capacity, although at a reduced level, and after incurring a small loss in January it broke even in February and made a small profit in March.

Mr Chapman said that construction activities were reasonably successful and had a "reasonable share of the available market."

Total group turnover in 1984 was £6.12m higher at £94.15m. Profits were subject to tax at £2.11m (£2.33m) and, after minorities, dividends and a deferred tax credit adjustment in 1983, the retained balance was £1.55m (£3.61m).

This year will see the benefits from the completion of the Britoil building. Payment of rent commenced in March and will amount to £1.5m this year. Shareholders are set to receive a higher final dividend of 5.05p, which lifts the total payment to 7.25p, against 6.5p. At last night's closing price of 186p, up 4p, the gross yield is 5.7 per cent, in line with the sectoral average.

Wemyss Inv. Trst

Wemyss Investment Trust saw its net revenue rise from £246,000 to £300,000 for the half year to end-March 1985.

Franked investment income totalled an unchanged £206,000. The interim dividend is lifted by 1p to 6p net—last year's total of 20p per £1 share was paid. Stated earnings increased to 13.3p (10.9p).

Lilley depressed by contract problems and losses in the U.S.

AS EXPECTED, pre-tax profits at F. J. C. Lilley for the year to the end of January 1985 did not match the £13.95m made last time. After a second half downturn of £7.32m to £3.04m, they came through at £7.49m. Difficulties outlined at the interim stage involving overseas contracts, continued to affect trading of this civil engineer and building contractor in the second half, say the directors.

They also point out that for the first time in the five years since the group's initial investment in a setback in profits, incurred, amounting to £2.5m, compared with profits of £3m.

However with turnover of a record of £301.29m, against £280.27m, and with an order book at an "all-time high" with a good inter-continental spread, the directors say that the trading outlook is strong. They believe a return to better profitability can be expected.

Although problems of a timing and non-recurring nature emerged during the year, resulting in a setback in profits, the directors say there is reason to believe that this will be corrected as a result of management steps taken. These include curtailment or elimination of certain unprofitable activities in America, the re-definition of policy in relation to involvement in property and the disposal of assets falling to provide a satisfactory return.

The final dividend has been held at 2.44p, which maintains the total at 3.64p. Earnings per 25p share are shown as falling from 11.5p to 7.4p.

The directors say the water supply project in Nigeria has not yet been completed because of continuing difficulties and circumstances preventing full resumption of work.

The performance of all UK construction subsidiaries has been satisfactory in a highly competitive market place they say. UK-based construction and

related activities produced turnover of £172m (£170m) and profits of £10.7m (£11.6m). This included overseas turnover of £13.7m (£32.7m).

The directors point out that difficulties in America arose from continued losses at Petro-Chem and Dessau which involved further write-offs in the second half. They regard this setback as short-term and will continue their support and commitment of resources to the American market.

comment

A £5.5m switch in the U.S. from profits of £3m to losses of £2.5m almost exactly accounts for the pre-tax drop at Lilley. The intention to dispose of the poorest performing of the American subsidiaries, Harold Dessau, holds out the hope that this year will see a break even result across the Atlantic. The shares have been riding in the lowest ever region for some time now—64p is only 1p off the bottom—and clearly the maintenance of the dividend is aimed at lending support. With a yield of 8.13 per cent compared with 5.84 per cent at the previous year-end, the shares should be kept from sinking any further. While overall margins have shrunk the group has been more or less able to hold the profit line in the UK and the news from Nigeria last week is that the equipment needed to complete the \$40m water supply contract has finally got its clearance and this should boost the coming year's performance. On the debt front, borrowings have had to be increased and the group has moved from being a net earner of interest to a net payer—at the year-end net debt stood at some £10m. Allowing for break even in the U.S. but not much growth in profits elsewhere, the market is looking for 10m. The prospective p/o is just over 7 (30 per cent tax).

Dan-Air margins under pressure and profits fall

SECOND HALF taxable profits of Davies & Newman Holdings, shipbroker, ships' agent and Dan-Air airline operator, fell by £1m to £6.1m and, after absorbing higher first half losses, left the full 1984 result behind at £3.1m, compared with a record £4.31m previously.

Turnover expanded from £196.13m to £242.35m. The directors say that the year was difficult, but are satisfied that every effort was made to combat the problems experienced. These were mainly on the aviation side where there was intense competition, both in the inclusive tour market and on scheduled services.

They add that in spite of the large increase in the airline's turnover and greater efficiency, the reduction in profit "demonstrated the extent to which margins were under pressure."

The dividend, however, is maintained at 10p net per 25p share, with a same-again final of 7p, and directors are proposing a one-for-10 scrip issue.

Despite the increase in group turnover operating profits were virtually halved at £1.84m, against previous £3.51m.

Pre-tax profit was helped by a much higher share of associates' profits of £1.41m (£502,000), but was struck after increased

interest charges of £1.52m (£1.17m) and no surplus this time on disposal of aircraft (£506,000).

After tax of £773,000 (£1.85m) earnings are given as £2.33m (£2.46m) or 36.6p (38.6p) per share.

A big effort, directors say, was made to expand the company's aviation activities and additional flying resulted in a 24 per cent rise in turnover. In the inclusive tour field a large programme was mounted, but because of the competitive nature of the business, margins were reduced, they explain.

From the UK and Berlin, Dan-Air aircraft flew to some 80 holiday destinations, and during the peak season over 450 charter flights per week were being operated.

In spite of the continued depressed state of the shipping industry, the company's shipbroking subsidiary achieved a much improved result and directors say there are no signs at this time of any change in activity.

The oil drilling services company, Dan-Sunvig continued to expand and had an "exceptionally good year."

The directors feel it is too early to forecast likely results for 1985.

MINING NEWS

RTZ chief sees much brighter outlook for mining industry

BY KENNETH MARSTON, MINING EDITOR

"BY THE early 1980s, and in some instances sooner, the capacity to supply most metals will be back in broad balance with demand for the first time since the early 1970s," says Sir Alistair Frame in his first annual statement as chairman of Rio Tinto-Zinc Corporation, the UK-based international mining, industrial and energy group.

He points to the continuing growth in demand for metals, the economic exhaustion of many existing mines and the virtual drying up of investment in major new capacity.

Because of the long lead times required for the development of new mines, "decisions must be made within the next year or so for the next generation of successful mining projects."

This view suggests a subtle departure from current mining industry thinking which is largely concentrated on survival in many cases or, at best, the development of only the smaller good grade mineral deposits which can be brought to production quickly at a relatively modest cost.

Many mining and oil companies with proven mineral deposits are more concerned with offering them for sale, RTZ is clearly hoping to pick up some bargains in this respect, although it is not interested in company takeovers as such.

Clearly, the purchase of a proven mining prospect offers a quicker road to return on capital and, possibly, lower cost, than



Sir Alistair Frame

the grass roots development of a mine from the initial exploration stage.

"There may be more attractive mining opportunities during the next few years than we have seen in the last decade," says Sir Alistair, adding that "the mining industry's longer term outlook is much brighter."

Even so, he says that RTZ is likely to expand its industrial and oil and gas interests.

This year, however, the industrial side is expected to have difficulty in maintaining its pace of improvement and conditions will remain difficult.

Phelps Dodge hopeful of continuing improvement

THE U.S. copper-producing Phelps Dodge could be profitable in the current quarter and the full year if the economy stays on course, said Mr George Munroe, the chairman, after the New York meeting.

"If the economy does not worsen, we expect to make a little money this year," he said, adding: "We had a pretty good month in April." As already

reported, the company earned a modest profit of \$1.6m (£1.32m) in the first quarter, after three years of heavy losses.

Mr Munroe said he would be happy if the company sold anything between 25 per cent and 40 per cent of its Morenci, Arizona, copper operations to Sumitomo Mineral and Smelter Corporation. He expected some announcement on the negotiations within the next two weeks.

BANK RETURN

BANKING DEPARTMENT

	Wednesday May 1 1985	Increase (+) or Decrease (-) for week
LIABILITIES		
Capital	93,125,000	—
Public Deposits	6,327,946,923	+ 320,861,611
Bankers' Deposits	626,538,435	+ 107,412,172
Reserve and other Accounts	1,421,538,637	+ 220,460,292
	7,515,686,705	+ 805,183,533
ASSETS		
Government Securities	622,342,648	+ 59,515,027
Advances & other Accounts	9,125,003	+ 320,861,611
Premises, Equipment & other Secs.	5,976,190,018	+ 342,159,165
Notes	5,164,553	+ 2,674,102
Gold	1,155,553	+ 10,408
	7,515,686,705	+ 805,183,533

ISSUE DEPARTMENT

	12,164,195,647	Increase (+) or Decrease (-) for week
LIABILITIES		
Notes in circulation	6,904,553	+ 78,614,108
Notes in Banking Department	12,170,000,000	+ 70,000,000
ASSETS		
Government Dept	11,018,100	+ 260,903,159
Govt Government Securities	2,046,518,008	+ 530,903,159
Other Securities	10,115,460,892	+ 70,000,000
	19,170,000,000	+ 70,000,000

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THERE is a distinct possibility that Western Europe will be left with only one credible multinational car producer—Volkswagen of West Germany—as the industry moves into the 1990s. The U.S. will have two, Ford and General Motors, and Japan at least four: Toyota, Nissan, Honda and Mitsubishi. Renault of France, the other European company which has been driving hard to become a complete multinational, has stalled; it is in a position where it could well study the lesson of Volkswagen. However, the new president, Georges Besse, whose experience of the industry dates back only as far as January this year, might well reverse the policies of his predecessor, Bernard Hahn, and draw back to the group's core vehicle business in Europe.

Besse was called in by France's Socialist government after it learned that Renault would report record losses for 1984: FFr 12,500 (£1,060).

Volkswagen, in which the local state and Federal governments between them hold a 40 per cent interest, also went through the trauma of deep losses—a total of DM 515m (£134m) for 1982 and 1983. Now it is very much in the black and yesterday announced nearly tripled earnings of DM 140m (£36.4m) for the first quarter of 1985.

But it has pressed on with its expansionist, international plans and refused to withdraw from car production in the U.S. in spite of severe difficulties there.

To start with, VW could see that drawing back into Western Europe would mean relying entirely on a "domestic" market which is the most competitive in the world. The difficulties are well documented: low growth in demand; declining output caused by Japanese and American infiltration of European markets plus Japanese domination of export territories where European products once predominated. These factors all combine to produce excess capacity and low prices.

The European Community is struggling at a painfully slow pace towards harmonisation. In the meantime, those countries with established volume car producers still see those companies as "national champions". The producers of small cars, other Community countries as "export" markets. The result is that the Europeans prey on one another like pygmies in a fish tank that is too small.

And the competitive position can only become more severe. "We already see the Americans in Europe and the benchmarks of the Japanese in Europe," points out Dr Carl Hahn, Volkswagen's chairman. The Americans are developing their relationships with the



Carl Hahn: "We have tried to think of everything"

How VW uses the world as its market

BY KENNETH GOODING

Japanese and making huge investments in Mexico, he points out.

"I wonder what people are waiting for in the way of additional messages before they realise that this is the future: one world market for cars where the customer is pampered by every automobile manufacturer in the world."

VW read the writing on the wall and has been positioning itself to face the competition from the Japanese and U.S. groups, whatever alliances they might take in that "world" market.

Hahn says: "We have to prepare for the 1990s. That is why we consider our Brazilian and U.S. operations and our link with Nissan in Japan so important. This should give us the flexibility to react in case anybody should want to increase the competitive pressure in Europe. However," he adds with a wry smile, "we have tried to think of everything but we can be sure that something we have not thought of will also happen."

The ties with Nissan, Japan's second-largest vehicle group, are

loose at the moment. Nissan is building the VW Santana car under licence at the rate of about 25,000 a year for sale mainly in Japan. But the relationship obviously is capable of development.

Latin America has been a source of components for VW for many years. Engines have been made by the Brazilian VW company for 20 years and the Mexican subsidiary has 10 years' experience.

"We produce the same type of engine with the same up-to-date technology as the engine which comes from our European engine plant at Salzgitter," says Hahn.

"So we have practised the international exchange of components for many years. We also practice—but not yet to Europe—the export of cars from Brazil to Mexico. We are one of the top two exporters of cars from Brazil to the Middle East and Africa."

Brazil and Mexico give VW the opportunity—which would not be available to high-cost West German producers—to tackle markets where the company meets the Japanese in head-on competition. Hahn

reveals: "We are considering opening up new markets for the 1990s to do what the competitive conditions require if we are to maintain profitability." (The most recent new market opened up by VW is China, where there is a long-term agreement to produce the Santana.)

But home in Europe, VW until recently lacked Renault's spread of production bases—the French group produces cars in Spain and Portugal as well as France.

But VW pulled off a considerable coup by stepping in to fill the gap left in 1980 when Fiat of Italy pulled out of its 30-year relationship with Seat, the state-controlled Spanish group.

So far VW has avoided putting time and money into the Spanish market because it was being asked to pump more money into Seat but has provided technical help, devoted a great deal of management time to the Spanish company and helped considerably as Seat struggled to set up its own distribution network throughout Europe.

Seat in return has opened up

the Spanish market to VW by putting the German group's cars on sale through the Seat distribution chain—thus pushing VW's share of that market up from 0.5 per cent in 1982 to around 5 per cent—and is building VW Polos, Santanas and Passats models under licence.

Now negotiations have started for VW to buy a 17.2 per cent stake in Seat from the Spanish authorities. Whatever the outcome, and there are some substantial financial hurdles to be overcome, VW still has a long-term contract with Seat. And many observers expect VW to take advantage of Spain's lower costs and have Seat build the replacement for the Polo, its smallest and cheapest car, which is currently assembled mainly in Germany.

Hahn will not be drawn on that particular subject but he says: "Our objective is to have a step-by-step integration with Seat. We know the objectives, we have the goodwill but we don't know the financial facts yet."

While VW's move into Spain has gone smoothly so far, its U.S. production operations have had an extremely bumpy ride and posed many serious questions for the company.

When the assembly plant at Westmoreland, Pennsylvania, in 1978 started to build U.S. versions of the Golf, then known as the Rabbit in the States, it was expected to help boost VW's share of the U.S. car market to 5 per cent by 1985.

Instead, sales of products in the U.S. have plummeted from 172,000 in 1980 to 74,000 last year.

VW was just in time to halt expansion plans, and a second assembly facility at Sterling Heights, Michigan, was sold off in a partly-completed state to Chrysler.

But VW sees the cost of keeping the Westmoreland plant going as an insurance premium. The facility would come into its own if the dollar crashed and made exports from Germany too expensive or in the event of American protectionism—so far aimed almost exclusively at the Japanese car makers—being directed at the Europeans as well.

"We have restricted the U.S. operations in a way that enables us to maintain the 'insurance' element and also to take advantage of the high value of the dollar with all the necessary flexibility. That gives us the best of both worlds."

"We have a good, one-shift operation at Westmoreland right now and can live with that. With the dollar where it is, we would be foolish to go beyond this point," maintains Hahn.

The U.S. business as a whole

was highly profitable last year as the group boosted sales of imported VW cars from 77,000 to 103,500 and those of its up-market Audi vehicles from 45,000 to 71,000.

As part of its long-term strategy VW has separated the Audi operations and given the Audi management the job of developing an up-market, sporty image for the marque.

This makes sense at a time when the only companies regularly to have reported profits are Mercedes, BMW, and Volvo (recently joined as a profit-maker by Saab).

With Audi now back in its stride, Hahn can claim: "We have no excess capacity in Europe, no old capacity. We have invested a tremendous amount but nevertheless we have generated more cash than we invest. Our cash position, in terms of liquidity, at the end of 1984 was better than in 1983, although we lost one month's production last year."

So VW is not on the defensive and has no need, for example, to go out of its way to look for joint-venture projects like some other European companies. Its major current co-operative venture is with Renault to develop and produce a four-speed automatic gearbox.

Hahn is sceptical about joint ventures being a salvation for ailing companies. "Links for components do not change your core problems. You have to have a sound base. You cannot replace a sick base with joint ventures. With a sound base you can buy whatever components you require from outside suppliers."

He adds: "In Europe we have to have higher labour productivity in the motor industry as a whole. We have to have higher intellectual productivity than in the past. Then, at least as important as labour productivity, is capital productivity, by which I mean not only fixed capital but also inventory of raw materials and finished products."

The Europeans have a lot to do, but everybody is working hard on this. Hahn suggests those European companies which share with VW the benefits of sending cars to the U.S. when the value of the dollar is high should use the breathing space to "build reserves and to repair the damage of four years of recession."

As for VW, "we feel, after a turnaround, we are now heading in the right direction with modern products, high-speed investments and an international linkage."

IoD report

Critical view of nominee directors

A SHARP reminder that a company director "acts as a representative of all shareholders, not as a delegate of all shareholders, and still less as a delegate or representative of some shareholders or debenture holders" is given by the Institute of Directors in a report just published.

The Institute maintains that the practice of appointing directors to company boards "simply to guard the interests of outside bodies who have a stake in the company" should be ended. Indeed, it points out that because such appointments "may go against the general interests of the company, it is totally incompatible with the legal duties of a director."

The IoD's recommendation follows the report of the Public Accounts Committee on the DeLoe case which raised a number of questions about the role of nominee directors. As well as calling for the correct role of company directors the Institute has also prepared a note setting out the legal authorities for the principles it sets out, and has made a copy available to the Public Accounts Committee, together with its recommendations.

Institutional or corporate investors, the IoD believes, should pay close attention to the composition of boards of companies in which they invest. But the best way of doing this is not, through nominee directors, but by "exercising influence to ensure that the members of the board are a whole appoint appropriate directors, including an adequate number of properly qualified non-executive directors formally independent of both the existing management and existing financial interests."

The Institute warns not only of the hazards of nominee directors contravening laws regarding where their interests should be but also of the dangers of falling foul of legislation regarding insider information and the rules of the Stock Exchange on access to information about a company.

An individual nominated by an investor to act as a two-way channel of communication between the investing institution and the company

should give rise to "a considerable legal and practical impact on the position of the individual concerned." The Institute points out that "very real restrictions" exist on a director "supplying to third parties more information than is made public or supplied to all shareholders." The Institute poses three questions in trying to arrive at a solution to the problems facing "director" interests. First, "what information is a shareholder entitled to require of a company in which he holds shares?" second, "to what information about a company is a director entitled?" and, third, "how far is a director entitled to pass such information on to a third party?"

Not entitled

In short, it says, the answers are that a holder of shares "is not entitled to any special treatment as to information, though the holder of a contractual interest may be if the supply of such information is a term of the contract"—this might apply, for example, with a debenture holder.

If a right of access to company information were given it might lead to actions for "unfair prejudice" by shareholders who did not have the same right. Then again, if any information supplied was price sensitive insider dealing provisions would come into play. Differential access to information would also contravene Stock Exchange rules.

As to the second point, a nominated director is entitled "only to any information about that company which is necessary to enable him to perform his function as a director of that company."

Therefore, rights of access do not extend to information "which might simply be useful for some purpose independent of his function as a director of the company."

And, finally, such a director may pass on information about the company only so long as it is not against the company's interest for him to do so and he cannot bind himself to pass on all the information he receives about it.

THE RIO TINTO-ZINC CORPORATION PLC

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the twenty-third annual general meeting of Rio Tinto-Zinc Corporation PLC will be held at the Grosvenor House (Room 100) 100 Grosvenor Street, London W1C 3BP, on Thursday, 10 May 1985 at 2.30 pm for the following purposes:

- (1) To consider and, if thought fit, to pass the accounts and financial statements for the year ended 31 December 1984, together with the directors' report and the auditors' report thereon.
- (2) To consider and, if thought fit, to pass the resolutions proposed as a special resolution, namely:
 - (a) the articles of association contained in the circular letter to members of the company and the memorandum of association and the resolutions adopted at the annual general meeting of the company held on 10 May 1984, and to alter the articles of association of the company in accordance with the resolutions adopted at the annual general meeting of the company held on 10 May 1984;
 - (b) to authorise the directors to do all such acts and things as they may think fit to give effect to the resolutions aforesaid.
- (3) To consider and, if thought fit, to pass the resolutions proposed as an ordinary resolution, namely:
 - (a) to authorise the directors to do all such acts and things as they may think fit to give effect to the resolutions aforesaid;
 - (b) to authorise the directors to do all such acts and things as they may think fit to give effect to the resolutions aforesaid.

JOINT COMPANY ANNOUNCEMENT

VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED (VAAL REEFS)

SOUTHAAL HOLDINGS LIMITED

(Both incorporated in the Republic of South Africa)

MINE LABOUR SITUATION

Vaal Reefs regrets that it has been necessary to dismiss 14,400 workers at the South Division of Vaal Reefs mine. Management's primary concern in making the decision to dismiss, with all the serious labour relations and lost production consequences, was to prevent further disorder and possible violence on the mine. Many normal mine functions had been disrupted and serious tension was developing between different groups of employees. The decision to dismiss must be seen against a background of events concerning wildcat stoppages in the form of huddles and shifts between 13 March, followed by a pattern of go-slow work practices, half shifts, and disruptions of normal working procedures at the three Vaal Reefs mines. These disruptions included deliberate cases where people were prevented from working normally and interference with normal operations affecting the safety of employees. These disruptive practices continued over a period of some six weeks. During this period, management made every effort to establish the nature of the grievances behind the stoppages. In a number of meetings with the National Union of Mineworkers ("NUM") a few grievances were raised. Three were immediately resolved, the fourth resulted in an offer by management to subject four contested dismissals to an arbitration process. The fifth dispute about an interim wage award has been referred to the statutory conciliation process. On 22 April, management communicated with all workers outlining its response to the grievances raised and appealed for a return to work, warning of the consequences of further disruptive actions. This management communication came at a time when NUM had been given an extensive period of time to conduct its own communications and to return the situation to normal. Further grievances were raised by a group of employees at a shaft relating to a complaint that a number of workers were being required to perform work illegally. Management explained that this type of work, which in any event they had been carrying out for some time, was in terms of their contracts, in accordance with the provisions of the Mines and Works Act and for which they had been trained. However, wildcat strikes continued. The event which culminated in this largescale dismissal at the South Division was the refusal of the entire shift to work from the night of Friday 28. At this stage management were not aware of any further threatened grievances. Striking workers made no attempt to articulate new grievances or to negotiate with management. Management requested workers to go on shift. A time limit was then set for a return to work and those who failed to respond to this time limit were dismissed. At no stage were the South African police involved and workers left the property peacefully. However, in two incidents mine security personnel were forced to prevent a section of workers barring access to and from a hostel, necessitating the use of tear-gas. Management has been in constant negotiation with NUM throughout this period and this process will continue. Management is fully committed to returning the situation to normal as quickly as possible. Vaal Reefs values the service of its employees and has undertaken to NUM to give preference to former employees who wish to return to Vaal Reefs, subject to the mine's operational requirements and the individual employee's training and employment record. Management is anxious to make the re-employment process work as rapidly and as smoothly as possible. The management of Vaal Reefs is committed to a productive and contented labour force, and will continue to work towards this objective. Management is confident that the majority of employees support this. Vaal Reefs is also determined to ensure the re-employed return to underground operations to normal. Detailed plans are currently being drawn up and shareholders will be advised of the extent of losses as soon as the picture becomes clearer.

Johnanesburg 3 May 1985

Copies of this announcement will be posted to members of Vaal Reefs and Southaale Holdings Limited.

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Per share (in French Francs)			
Primary	144.72	121.09	+19.5
Fully diluted	138.24	115.44	+19.7
Net income (in millions of French Francs)	486	389	+24.9
Per share (in French Francs)			
Primary	164.34	132.32	+24.2
Fully diluted	156.38	125.65	+24.4

1984	1983
39.3	32.0
1129	994
428	355
144.72	121.59
139.24	115.44
486	389
164.34	132.77
156.38	125.65

Shop talk proves popular

Meanwhile, developments along the M25 will continue to suffer from confusion.

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M25 Property-3

كتاب النحل

Outward movement may accelerate

ACCESSIBILITY has been the prime factor influencing most office-based businesses in their choice of location. They need access to professional services, customers and most importantly, access to the right kind of staff.

Town centres have been the traditional answer to most of these demands, but a combination of high rents, electronic communications and difficulty in attracting staff who live further from business areas is bringing central locations into question for some activities.

Existing companies have become more willing to move out of centres or new ones to set up and expand in fringe locations. Nowhere is this more evident than around London, partly because this is where pressure for growth is strongest, and partly because rents are higher and staff have moved further from the city centre to live.

The M25 is expected to emphasise and accelerate this trend. A string of towns close to the motorway such as Watford, Hemel Hempstead, Sevenoaks and Woking should become more attractive to occupiers and potential staff, while their track record as property markets should attract institutional investors.

Relocation will often play a secondary role in established centres. Many have buoyant local economies which should be further enhanced by improved motorway links, stimulating demand for office space from existing companies, according to a comprehensive study of the M25's implications by a research team at agents and surveyors Knight Frank and Rutley led by Mr Fer Dijkstra.

Twelve towns between the radial roads feeding into London should receive a boost. Watford Cross on the northern fringe, for instance, will be linked with the A1(M) and the M1. Centres outside the M25 ring like Guildford and Hemel Hempstead may benefit both from their accessibility to the motorway and

from the fact that the M25 will have a substantial effect... but it is not clear at this stage whether it will substantially alter the location of pressures, was one conclusion of the South-east regional planners when they monitored progress a couple of years ago.

From the property industry's side, Mr Julian Sheppard of surveyors and agents Richard Ellis says: "The motorway will open up vast areas never considered by developers and occupiers. But the full influence will not be felt until it is finished."

A likely impact will be an exaggeration of the importance of towns close to motorway intersections like Redhill and Reigate on the M23, and Watford and St Albans on the M1. Their existing facilities like shopping and professional services should make them attractive to occupiers and potential staff, while their track record as property markets should attract institutional investors.

Relocation will often play a secondary role in established centres. Many have buoyant local economies which should be further enhanced by improved motorway links, stimulating demand for office space from existing companies, according to a comprehensive study of the M25's implications by a research team at agents and surveyors Knight Frank and Rutley led by Mr Fer Dijkstra.

Offices

DAVID LAWSON

Accessibility to the motorway and spill-over from areas closer in but restricted by planning policies.

Inside the ring, Enfield, Harrow, Bromley and Romford could pick up overspill in the same way, although the London boroughs also face a threat of being leached of activity. In some places as companies move outwards to better surroundings and buildings.

Some of these centres will appeal to investors because rent growth from a low historic base is likely to be more significant as demand rises, according to Mr Mike Dow of Jones Lang Wootton. Developers will be attracted by higher rent levels, which may justify building after years of stagnation. Timing of development will be crucial, however. Rents

depend as much on supply as demand and the KFR report points out that the southern section of the M25 is particularly well endowed, with completions twice the level in the northern sector. In the inner ring, covering centres like Croydon and Bromley, supply was three times the annual demand in 1983-84.

But take-up is also higher in the southern sector, and constraints are likely to bite in the outer ring covering parts of Surrey and Kent once existing schemes and proposals are absorbed.

Severe planning constraints are likely to be more important in these areas, particularly in the western sector which planners and agents agree will face the greatest demand for development. It is already the hottest market because of its access to Heathrow national motorways and high-quality labour and housing. The M25 will add further to these advantages, with access to Gatwick and the M1 of particular importance.

Rents have soared in the M3 and M4 corridors through this area, often pushing companies further away from London to find cheaper accommodation. Mr Dow forecasts that the extra advantages could reduce this outflow, offsetting the higher costs of towns like Reading and Slough, where asking rents have reached £15 sq ft.

Pressure is not restricted to town centres. The western sector is the stamping ground

for electronics and computer companies which often tend to combine their office space with other uses on campus sites in open countryside. Regional planners admit that the green belt is fragmented or damaged in this zone and could come under pressure. They even suggest "green developments" combining science parks and leisure uses as a method of guiding schemes away from sensitive areas.

Developers hunting ways to escape restrictions seem unlikely to follow the M25 east because of its poor image.

Relocators have tended to move head offices westward—such as Esso out of central London to Leatherhead, Blue Circle to Aldermaston, BP to Hemel Hempstead and Wellcome to Croydon. These have often chosen campus sites, epitomising the high-quality environment close to good housing that staff demand—but within easy reach of the M25 and central London.

These moves bring opportunities to the attention of developers, and their activity is rising. Sites such as old industrial estates and former hospitals being sold by the NHS are attracting bids of more than £1m an acre.

Shoppers freed from town centres

Retailing

WILLIAM COCHRANE

PLANS FOR retail development are mushrooming around the M25. Two of the biggest emerged in March for the same area.

Architects Leslie Jones, on behalf of Town and City Properties, made their presentation to Thurrock Borough Council for a shopping and leisure complex close to the approach of the Dartford Tunnel. At the same time Capital and Counties, in partnership with The Pearson Group, owners of the Financial Times, asked permission for a similar competing scheme.

Healey and Baker, acting for Town and City, reckon that the motorway could support another five major shopping developments without affecting existing centres.

quadrant of the orbital motorway there is a ferment of activity. Mr Bob MacKenzie, development partner at Edward Erdman, lists retail park proposals at Hatfield and Stevenage, two town centre projects at Stevenage, two at St Albans, an Asda development at Watford, one in Welwyn Garden City and another at Redbridge.

But Mr Geoffrey Smith, a partner in planning, development and economic consultants Nathaniel Litchfield, played down the drama when he spoke at a Henry Stewart conference on the M25.

"For many forms of retailing the most significant implication of the M25 will be the general stimulus it will bring to the economies in areas in its general vicinity and the outflow of more jobs and a competitive labour market will enhance the spending power available to retailing located in the free-standing towns outside of the motorway," he said.

That does not mean that town centres are going to have it easy. As the example of Hemel Hempstead indicates, the effect of the M25 will be to increase the competition between existing centres.

"Town centres are no longer going to find themselves with a basically captive population," said Mr Smith. "Places like Harrow, St Albans and Watford have been able to rely on serving a certain, fairly captive area. The effect of the M25 will make it much easier for local shoppers to choose between major shopping centres for their durable shopping trips."

Shoppers will obviously be looking for better car parking, better shopping and a better environment.

Institutional investors, too, will be looking for shopping investments which fulfil the same criteria, according to Mr Paul Orchard-Lisle, of Healey and Baker.

In Manchester, where the motorway box is basically complete, centres like Stockport and Bolton are expanding rapidly against the wishes of the regional planners and at the expense of the inner city and some minor urban centres, but to the general benefit of the shopper, Mr Smith said.

The M25 will not be that significant for retail warehouses, he said. These will increase around suburban London and the Home Counties, but will be more related to individual towns than to the more regional M25 locations.

Retail parks—groups of retail warehouses with shared parking—or combined central warehousing and retailing

operations may move into the London area. "If such developments are proposed, they clearly they would move towards the M25 due to the wider access offered," Mr Smith said.

He sees a generally accepted need for 12 to 15 free-standing supermarkets, hypermarkets and another six to 10 on the North Circular road.

Standard retail planning issues are not going to be an issue around the M25, Mr Smith said. "Retail impact cannot be shown to be significant, unless the new investment might pre-empt a more beneficial scheme elsewhere."

"Nevertheless, with the general presumption in favour of town centres and their social and community advantages, new schemes will still have to show why they are needed and thus justify the dilution of investment."

The Thurrock proposals should prove a focal point for some of these arguments. They will have to attract people from a long way off as that area of the M25 is less populated than

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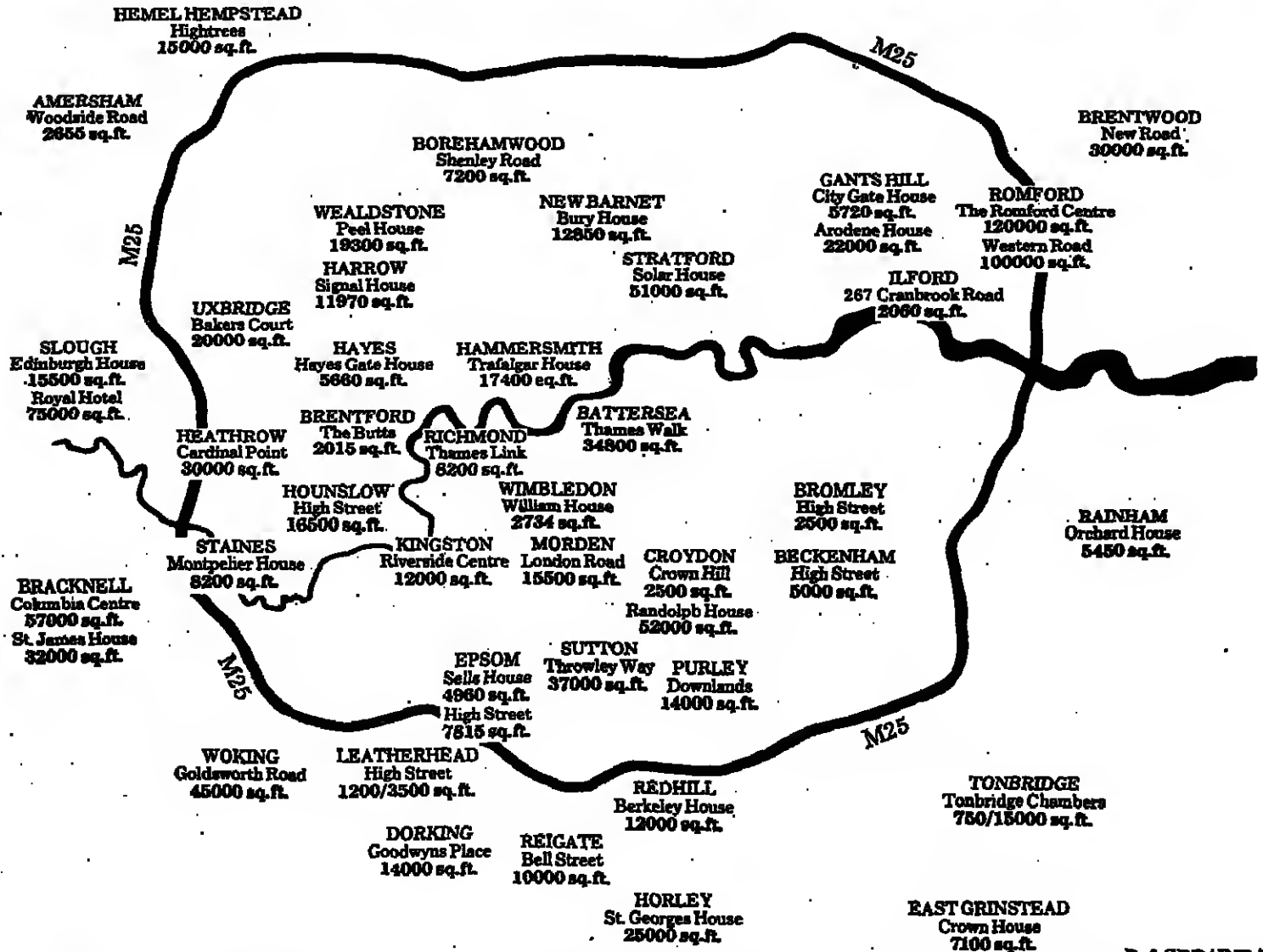
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M25 Property-4

Chance addition to a readjusting market

THE IMPACT of the M25 on industry is likely to be neither simple nor consistent. The sector contains a wide spectrum of businesses varying from large-scale distributors to the swarm of small electronics companies which are catching most of the attention of investors but constitute only a small proportion of the total property market. The importance attached to improved transportation varies just as widely.

Analysis is not eased by the fact that industry, and the property it requires, was beginning to show a fundamental change at the same time as the first stretches of the orbital road were being completed. The M25 has, by chance, added another facet to the new markets being created by the decline of traditional production and the growth of knowledge-based industry.

Warehousing and distribution is likely to feel the greatest effect of the new orbital motorway, according to Nathaniel Lichfield & Partners, who can claim some authority on the subject as co-authors of the first comprehensive study of the impact of the M25 on the property sector.

Operators would ideally wish to be close to main markets (Greater London), the main airports, ports and national motorways and the Freightliner terminals of the South-east. These could not all be met before the advent of the M25, so there tends to be a diffusion of warehouses around London.

Completion of the road—with its faster travel, would bring the essentials together anywhere along the M25 and leach inner London of its demand, Mr Lichfield says. Such simplicity does not survive a further breakdown of this sector in an effort to pin down the likely focus of most demand. Regional distribution centres will need immediate access to motorways rather than proximity to suppliers and markets, says Mr Jerry Michell of surveyors Drivers Jonas. They would also require big sites to cope with large quantities of goods. Local distributors, however, would need to be closer to main outlets.

An example of a regional centre was that developed at Brooklands industrial park, Weybridge, Surrey, by Tesco because it would enable servicing of stores from Oxford in the west to the Dartford Tunnel on the east section of the M25, according to Mr Richard Taylor of Fuller Peiser, who let the 200,000 square feet of space.

Other examples include Marks & Spencer's 250,000 square feet at Slough and a similar letting to Bosch at Denham. This concentration on west

London has much to do with the availability of property. There is a consensus that lower rents around the eastern quadrants of the motorway could attract cost-conscious distributors as property and sites become available, particularly with local planners encouraging development.

Manufacturing industry will also be attracted by any reduction in unit costs brought by quicker travel—and guided by the fact that rents are 50 per cent cheaper in the eastern sector. But winning good

Industry

DAVID LAWSON

supplies of qualified labour can sometimes outweigh site and travel savings.

Traditional manufacturing is dying in London and those survivors who move to the M25 are likely to locate within the same sector to retain their labour force, rather than cross London.

Tanqueray Gordon selected Basildon for a £50m project to build a 500,000 sq ft pin bottling plant chiefly because of the availability of land and the good environment, said Mr Taylor of Fuller Peiser.

This sort of interest in the eastern sector of the motorway will please the Government, which is aiming to mould policy to encourage movement away from the over-heated west and eastwards along the new motorway. Mr Michell, of Drivers Jonas cautions against industrialists making the switch if markets are mainly in the west, however, as the potential traffic bottleneck of the Dartford Tunnel could wipe out cost advantages.

Within a few years it seems

likely that the M25 will stimulate a previously sluggish industrial market, particularly on sites like Blue Circle's proposed Crossways 25 business park at the south entrance to the Dartford Tunnel, where the intention is to provide an international freight ferry and high environmental standards.

A good environment is the most important factor in the development of high-technology industry, although the eastern sector still falls some way short of the image which keeps the area west of London so popular. This is the sector most usually linked with the M25; Nathaniel Lichfield said it would be the group to benefit most from the motorway because it would enhance essential links of electronics and computer companies with airports, suppliers and markets.

Yet this link seems to have been over-stated by some observers through the lumping of one new market phenomena with another. It is understandable that Mr Taylor also goes as far as to say that among the many factors attracting such development: Proximity to the M25 is less important than access to the national motorway network generally.

His objection could—and is likely—to be met through concentration of attention around the national motorway intersections with the M25 in the more attractive western sector. But as with all the industrial sectors, supply of the right sort of property will be the most important factor.

It is ironic that this growth of the motorway not necessarily because it is a vital location but because the institutions—who monopolise provision of property—see this as the best place to build for maximum rent growth.



Motorway meets motorway: Intersections like the M25/M11 will become magnets for development

Intensity added to investment

Funding

JEFFREY BROWN

THE ADVENT of the M25 seems to be putting a touch more thrust into the revival of institutional interest in direct property investment. For some years, the pension funds and life companies have been wary of property, running down portfolios in favour of more attractive investment returns. But the tide is beginning to turn.

The long-term investment focus on property in the South-east has been given greater intensity by the M25. It may be too early for established trends, but agents report good levels of inquiry to back up important developments where institutional cash has been committed.

The institutions are getting to the end of the portfolio weeding which has characterised much of their recent property dealing.

Last year, estimated institutional investment in property increased slightly to £1.42bn, after slipping from a 1981 high of £2.2bn. But the share of funds in the sector fell to 8 per cent from 9 per cent a year earlier, reflecting a faster growth of overall investment.

Even in the south-east, however, property funding market remains a nervous and uncertain place. The operating climate is subject to big changes, both in occupier demands and in the levels of risk capital investors are pro-

pared to put forward. The institutional role, once dominant, is diminished and alternative sources of finance are making a steadily increasing impact.

Agents Richard Ellis highlight the changing nature of the funding market in their 1985 review. There is growing demand for the very best property in selected areas and industries. The South-east is where the main action is, and there is a marked concentration on the M25 zone. The service and hi-tech businesses head the accommodation take-up charts. But the agents stress that the revival in institutional investment is at best cautious. Prime sites, especially those with easy access to the M25, are being funded readily enough, but in the main capital outlays are modest against a background of slow rental growth. It is not easy to persuade an institution to commit more than £5m to a single development.

The owner-occupier is making something of a return. This is especially so in the development of the sort of industrial and warehouse property that has shot up in areas where the M25 crosses the main west-east motorways, the M4 and M5.

Some recent deals close to the M25 have been financed on attractive lending terms. Hewlett-Packard, the U.S. hi-tech group, is moving into new Upbridge premises on very solid looking yields. The 130,000 sq ft of offices, a Crusdens development in conjunction with Eagle Star, is the sort of high specification unit favoured by the institutions.

LOCAL MARKET: GUILDFORD/WOKING

An extra pressure on the barricade

WESTERN Surrey was in great demand long before the M25 was proposed, and planners have had their hands full trying to steer away office and industrial schemes. The orbital motorway is expected to add to this pressure, bringing added advantages of fast links with Gatwick and other parts of the South-east to existing benefits of high-quality housing, pleasant countryside and quick train services to London.

Guildford, the largest town in the area, is only eight miles from the motorway along the fast A3, and planners have already thrown up barricades to developers and occupiers aiming to travel in the other direction. Tight zoning and local user restrictions aim to limit office activity and there was only 80,000 sq ft of development in the year ending 1983 and a mere 11,000 sq ft of consents.

Opportunities will come, however, from the 235,000 sq ft proposed on various central sites like the rail station and Rodboro Buildings, but the district council aims to limit office schemes strictly to a supporting role for leisure and other facilities.

Since the completion of the Sterling Winthrop headquarters and the Friary Shopping Centre by MEPC, industrial schemes have tended to take the limelight. The university has launched its 68-acre science park with plans for a 100,000 sq ft headquarters for BOC and a biotechnology centre for Grand Metropolitan. The location next to the A3 and its link to the M25 has proved an important marketing factor and will continue to do so on the remaining speculative units planned for research businesses.

Arundel House Securities is also capitalising on the location after paying premium prices for a site next to the science park to develop 180,000 sq ft. Existing industrial use should mean no planning problems and the scheme should also benefit from the overkill caused by a restriction to research activities in university development.

Battle

Mr Andrew Sturt of Arundel—who has a close interest in the area—has been involved in the motorway—says the impending completion has brought agents swarming into this part of Surrey looking for property. He says there will be a narrowing of the gap in office rents between towns like Guildford, where prime rates are around £12 a sq ft, and the Berkshire centres' level of about £15.

Industrial rents have already broken £7 a sq ft in Woking, where Mr Sturt has another strong interest through a long-running battle with the county planners for permission to develop 250,000 sq ft of high-tech space at Brookwood, only five miles from the M25. A public inquiry is about to reopen after a developer won a high court case.

At these sort of rent levels it is worth such a battle, particularly as there are few such sites in the area. That did not appear the case when the Beckwith brothers had to give rent guarantees to get funding for the Woking Business Park a few years ago. But their company, London & Edinburgh Trust, has been vindicated with the roaring success of the first phase of the 11-acre scheme.

The second phase appears even more of a triumph. The strangely-named Orangebowli has set the rent record with more than half the 95,000 sq ft let at more than £7 a sq ft.

The centre of Woking has been a success over the last 10 years as planners provided the only loophole in the region for such development, so the M25 cannot be held here as a major influence. But the timing of schemes like Oldham Estate 200,000 sq ft Dukes Court, surely aimed at relocators must have been influenced by the added incentive the motorway will give to potential tenants.

Future development, however, will be severely limited to smaller schemes, and these will be linked into leisure and retail improvements if the planners get their way. Rents may also have to stutter through a period of temporary over-supply. In the long run, however, the attractions of Woking's housing, good shopping and good access to the M25 will push values higher.

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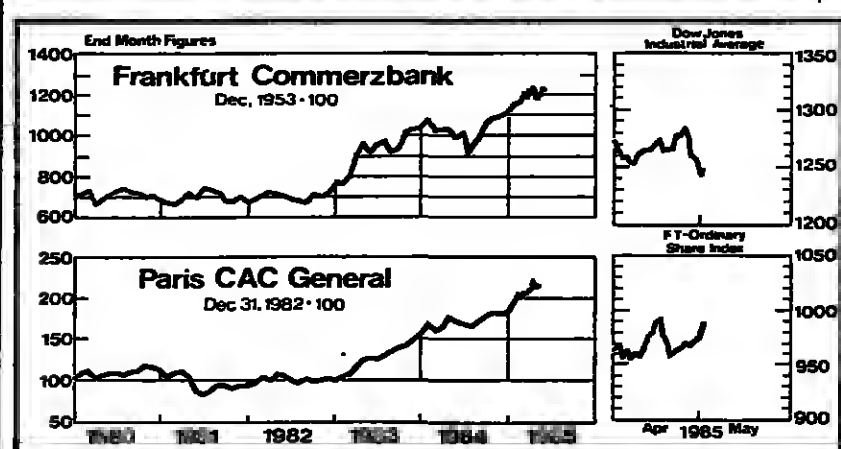
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FINANCIAL TIMES

Friday May 3 1985

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KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	May 2	Previous	Year ago
DJ Industrials	1,242.27	1,242.05	1,166.56
DJ Transport	577.25	571.08	517.08
DJ Utilities	153.52	153.01	126.49
S&P Composite	179.01	178.37	151.9

LONDON	May 2	Previous	Year ago
FT-SE 100	989.9	978.4	922.9
FT-A All-share	1,309.1	1,301.5	1,140.1
FT-A 500	629.73	626.9	536.71
FT Gold mines	691.17	688.25	587.34
FT-A Long gilt	485.4	487.1	671.4
FT-A Long gilt	10.51	10.80	10.32

TOKYO	May 2	Previous	Year ago
Nikkei-Dow	12,451.79	12,466.65	11,105.5
Tokyo SE	972.54	968.72	888.73

AUSTRALIA	May 2	Previous	Year ago
All Ord.	883.3	873.9	761.1
Metals & Mins.	542.7	558.1	537.1

AUSTRIA	May 2	Previous	Year ago
Credit Aktien	83.59	81.28	54.96

BELGIUM	May 2	Previous	Year ago
Belgian SE	210.01	219.54	156.11

CANADA	May 2	Previous	Year ago
Toronto	1,974.94	1,990.6	2,128.0
Metals & Mins.	2,616.52	2,626.3	2,359.2
Montreal	128.98	129.32	115.17

DENMARK	May 2	Previous	Year ago
Copenhagen SE	187.59	187.99	200.88

FRANCE	May 2	Previous	Year ago
CAC Gen	214.6	215.4	178.2
Ind. Tendance	117.2	117.4	194.3

WEST GERMANY	May 2	Previous	Year ago
FAZ-Aktien	416.49	420.96	358.96
Commerzbank	1,213.1	1,226.1	1,047.1

HONG KONG	May 2	Previous	Year ago
Hang Seng	1,516.21	1,516.73	1,032.64

ITALY	May 2	Previous	Year ago
Banca Com.	279.64	281.51	215.68

NETHERLANDS	May 2	Previous	Year ago
ANP-CBS Gen	210.3	211.0	160.9
ANP-CBS Ind	170.1	171.2	126.4

NORWAY	May 2	Previous	Year ago
Oslo SE	323.34	325.69	291.37

SINGAPORE	May 2	Previous	Year ago
Straits Times	795.53	791.81	994.68

SOUTH AFRICA	May 2	Previous	Year ago
JSE Golds	-	1,037.8	966.2
JSE Industrials	-	894.8	981.1

SPAIN	May 2	Previous	Year ago
Madrid SE	closed	109.02	83.52

SWEDEN	May 2	Previous	Year ago
J & P	1,439.84	1,441.05	1,530.85

SWITZERLAND	May 2	Previous	Year ago
Swiss Bank Ind	424.5	424.2	383.5

WORLD	May 2	Previous	Year ago
Capital Int'l	200.4	202.2	189.6

GOLD (per ounce)	May 2	Previous	Year ago
London	\$314.25	\$311.75	\$311.75
Zurich	\$313.15	\$321.50	\$321.50
Paris (filing)	\$314.00	\$325.07	\$325.07
Luxembourg	\$315.10	\$324.65	\$324.65
New York (June)	\$316.30	\$316.30	\$316.30

COMMODITIES	May 2	Previous	Year ago
Silver (spot fixing)	\$35.15p	\$35.15p	\$35.15p
Copper (cash)	\$1.275.00	\$1.204.00	\$1.204.00
Coffee (May)	\$2.133.50	\$2.098.50	\$2.098.50
Oil (spot Arabian light)	\$27.275	\$27.275	\$27.275

WALL STREET

Cautious approach adopted

AN APPREHENSIVE MOOD overhung Wall Street yesterday, following the sudden whiplash of selling of major stocks in the final hour of the previous session, writes Terry Byland in New York.

However, there was no repetition of the selling pressure, and across the broad range of the market stocks shuffled their way through the session.

In the credit market, rates remained firm with federal funds still at the high end of the recent range despite the Fed's notice of intent to offer further repurchase arrangements.

The Dow Jones industrial average ended 0.22 point higher on the day at 1,242.27. Turnover of 107.4m shares indicated a fairly active session.

The financial markets today face the final instalment of the week's significant economic data when the latest U.S. employment figures are due. If manufacturers' payrolls show further weakness, bond prices are likely to move upwards again despite next week's massive Treasury refunding programme.

The stock market, however, has begun to react nervously to the signs that the U.S. economy is slowing down. Corporate results for the first quarter have been poor and may be followed by a similar trend in the second quarter. Analysts have been reducing forecasts for many major corporations and market sectors.

Twice this week, IBM, General Motors and Ford have fallen victims to the sudden activation of selling programmes by investment institutions.

Aerospace stocks fell heavily as the senate debated a budget amendment which would freeze defence spending in fiscal 1986.

General Dynamics, announcing higher quarterly profits, lost 1 1/4% to 56 3/4% as Wall Street awaited news from the annual meeting. Boeing slumped by 3 1/4% to 55 1/4%, and McDonnell Douglas at 57 1/4% lost 3 1/4%.

Stock in E. F. Hutton was delayed after the broker firm said it was pleading guilty to mail and wire fraud charges. Later the stock traded at \$29 1/4, a fall of 3 1/4%.

Tobacco, hit badly this week by bearish comments ahead of critical court hearings on cancer death claims, steadied after some analysts put the case for buying the stocks. Tobacco company earnings continue to rise, and some analysts doubt that the industry will be blamed by the courts for cancer and similar deaths.

Philip Morris steadied, adding 5/8% to \$84 1/4, but R. J. Reynolds at 57 1/4% shed 5/8%. On the American Stock Exchange, BAT Industries, the UK tobacco group, gained 5/8% to 53 1/4%.

IBM remained dull, 5/8% down at \$125 1/4, although General Motors at 56 3/4% had recovered 3/4% of Wednesday's fall.

In oils, it was another heavy day for Atlantic Richfield (Aro) as the \$4bn stock buyback plan gathered pace. At \$62 1/4, Aro added 5/8%. Mobil gained a further 1 1/4% to \$31 1/4 but other oil stocks looked dull.

Among bids, Houston Natural Gas was suspended at the overnight price of \$58 1/4 after confirmation that InterNorth, themselves also suspended unchanged at \$51 1/4, was hiding.

There was a new flurry of speculation around Sperry Corporation, up by 3/4% to \$50. Control Data, negotiating the sale of its commercial credit subsidiary to Security Pacific, gained 3/4% to \$31 1/4.

A sharp rebound in both airline and railroad stocks pushed the Dow transportation average ahead. United Airlines jumped by 3 1/4% to \$42 1/4. American Airlines by 5/8% to \$39 1/4 and Pan American held unchanged at \$5. In rails, Burlington Northern, recently tipped as a bid target for InterNorth, remained strong, rising a further 3/4% to \$53 1/4 despite InterNorth's offer for Houston Natural Gas. Railroad issues have fallen smartly on the indications of a slowing economy and now attract bargain hunters.

The Federal Reserve's previously dis-

closed repurchase arrangements failed to lower federal funds significantly. At 8 1/4 per cent, the rate remained at the high end of the range, although the Fed's action seemed to confirm that it wants the rate lower.

Short-term and money market rates held firm. The bond market, also awaiting the latest money supply data slipped lower in thin trade.

LONDON

Output data still provide buoyancy

EQUITIES advanced across the board in London as investors brushed aside difficulties in the U.S. and continued to be buoyed by a favourable CBI survey on output and orders.

Takeover speculation again generated considerable activity, while sterling's easier trend prompted support for international stocks.

The FT Ordinary share index rose 11.5 to 989.9, benefiting from renewed strength in Courtalds, 6p higher at 139p, and Trusthouse Forte, up 5p at 145p.

Glits fluctuated narrowly to end with small changes in either direction, and only index-linked stocks managed gains of up to 1/4%.

Chief price changes, Page 34; Details, Page 35; Share information service, Pages 36-37.

AUSTRALIA

THE EASIER TONE continued in Sydney, reflecting the overnight performance on Wall Street. The All Ordinaries index slid 10.7 to 863.4, its lowest level since April 23.

BHP suffered from profit-taking after strong gains for two consecutive sessions. It ended 12 cents lower at A\$6.24 ex-all.

MM, contradicting an earlier report of heavy losses for the nine months to March 31, fell 20 cents to A\$3.20. Other miners also fell, with CRA off 24 cents at A\$6.36 and Western Mining 18 cents lower at A\$4.00.

Some industrial, property and media shares moved higher against the trend, while banks were lower.

SOUTH AFRICA

AFTER a firmer opening, prices ended mixed to higher in Johannesburg as the price of bullion lost the ground it had gained earlier.

Buffels slipped R4.50 to R81.50 and Dreifontein lost 25 cents to R51, while diamond share De Beers added 10 cents to R10.35.

Anglo American advanced 15 cents to R26; the company has estimated total output of 1 tonne to April 27 at its Vaal Reef mine.

Mining financials and other mining issues finished mostly unchanged where traded, and industrials closed quietly mixed.

SINGAPORE

QUIET and listless trading left Singapore marginally higher as investors awaited some fresh stimulation to the market. The Straits Times industrial index rose 3.72 to 795.53 on volume lower than the previous session.

Pan Electric, the day's most active issue, added 12 cents to S\$2.63, and Consolidated Plantations, continuing to find favour, was 8 cents ahead at S\$3.18.

Among industrials, Straits Trading rose 4 cents to S\$4.52, Gentings added 5 cents to S\$5.80 and Keppel advanced 5 cents to S\$1.59.

CANADA

GOLDS posted modest gains in an otherwise lower Toronto.

Dome Mines put on CS% to CS12 1/4, Little Long Lac CS1 to CS41 and Lac Minerals CS% to CS33 1/4.

Oil stocks suffered, however, with Ranger down 5 cents at C\$4.90 and Dome Canada CS% lower at C\$7 1/4.

Industrials, utilities and banks were all marginally lower in Montreal.

EUROPE

Unnerved by U.S. influences

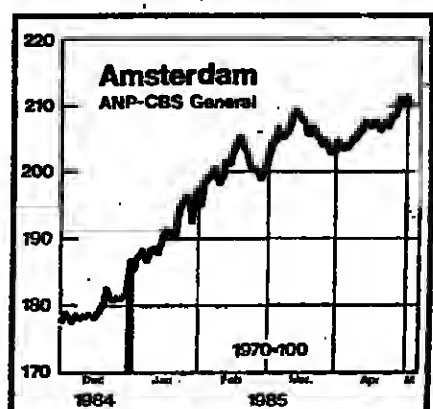
THE SHARP overnight decline on Wall Street served to unnervise investors in some European centres yesterday as the fragmented trading week resumed after Wednesday's May Day holiday.

Frankfurt was also a victim of the unexpected rise in the dollar, along with conflicting interest rate signals from the U.S. The Commerzbank index suffered a 13 point decline to 1,213.1 in thin trading, and the bank's latest weekly report suggested that shares seemed set for further declines in the days to come.

Volkswagen was unchanged at DM 206.50 despite its return to profit in 1984 and the sharp rise in first-quarter net earnings. Daimler slipped DM 3.50 to DM 871.50 as it said it would propose an unchanged DM 10.50 dividend for 1984.

Among the other motor manufacturers, BMW shed DM 6 to DM 353.50, but Porsche went against the lower trend, adding DM 4 to DM 1,190.

In the chemicals sector, Hoechst fell DM 3.30 to DM 209.40 despite the rise in first-quarter earnings and expectations that it would match 1984 profits this



year, Bayer fell DM 2.50 to DM 211, and BASF was DM 3.80 lower at DM 199. Pharmaceutical Schering was DM 6 lower at DM 439.

The major banks were uniformly lower, with Deutsche Bank down DM 6 to DM 484, Dresdner DM 3.50 to DM 208.50 and Commerzbank DM 1.30 to DM 168.

In the engineering sector, KHD dropped DM 2.80 to DM 247, despite plans to raise its 1984 dividend to DM 9 from DM 6. GHF fell DM 5 to DM 148, and Linde eased 50 pf to DM 425.

Bonds were little changed in very quiet trading. The Bundesbank sold DM 23.7m of paper into the market after sales totalling DM 27.1m on Tuesday.

Amsterdam eased with little buying demand seen although sell orders were well absorbed. The ANP-CBS general index was down 0.7 at 210.3.

Among the major companies, Hoogovens recovered an early loss to end FI 1.70 higher at FI 63.40 on optimism ahead of its annual report which was scheduled to be published after bourse trading.

In the banking sector, ABN shed FI 10 to FI 425, ex its FI 15 final dividend, in the wake of its higher first-quarter gross profits. NMB was FI 1.70 lower at FI 170.

Insurers were weak, with Aegon down FI 2 at FI 164.50 although Amey held unchanged at FI 240. Retailer Ahold shed FI 6.20 to FI 221.50, ex its FI 5 guilder, plus 45 U.S. cents final dividend.

Among local stocks, Fokker rose FI 5.60 to FI 125.50 amid market speculation that new orders would soon be announced for its passenger aircraft.

Bond prices were little changed in light trading which saw a virtual absence of institutional activity.

Meanwhile, the stock exchange has asked the Finance Ministry to abolish the 0.12 per cent tax levied on all share transactions by the beginning of next year.

Brussels continued lower although the decline in prices reflected a lack of buying rather than widespread sales.

Petrofina was BF 10 lower at BF 6,790 as it published its annual report.

A mixed to lower performance was seen in Paris with the market led down by second-line issues.

Zurich proved resilient in fairly active

volume dominated by ex-rights trading in selected issues.

Zurich Insurance shed SwFr 300 to SwFr 24,800 as it forecast its premium income for both the parent company and the group would rise by 10 per cent in 1985. Bonds were easier in thin trading.

Stockholm was marginally lower in quiet trading with the onset of the public sector strike having already been discounted.

Milan was lower, and Madrid was closed for a public holiday.

TOKYO

Exchange rates prove daunting

A DISCOURAGING market climate daunted investors, sending share prices slightly lower in Tokyo yesterday, writes Shigeo Nishimaki of Jiji Press.

The Nikkei-Dow market average lost 48 points from the previous day at one stage but closed a net 4.88 lower at 12,451.79. Volume decreased to 353.71m shares from the previous day's 407.56m shares. Advances outpaced declines by 407 to 358, with 160 issues unchanged.

Institutional and individual investors were particularly discouraged by the overnight decline on Wall Street. They were also concerned over the uncertain outlook for the yen-dollar exchange rate and prospects that some corporations had closed their books in March with lower-than-expected profit growth.

Trading was very inactive, with speculators seeking some biotechnology-related and incentive-backed issues for short-term capital gains.

Shionogi, the most active stock with 12.88m shares changing hands, added Y34 to Y769 on rumours of development of an anti-cancer agent using biotechnology.

Mochida Pharmaceutical scored a daily limit gain of Y500 to Y10,990. Kagome gained Y90 to Y1,230, Daiichi Sankyo Y50 to Y1,900 and Kyowa Hakko Y28 to Y982. But Yamanouchi Pharmaceutical shed Y60 to Y3,020 and Dainippon Pharmaceutical Y70 to Y4,420.

Miyaji Iron Works, the second busiest issue with 9.96m shares, gained Y72 at one point but closed only Y17 higher at Y425.

All Nippon Airways (ANA) advanced Y18 to Y463, Shinsbo Corp Y15 to Y335 and Shokusan Jutaku Sogo Y18 to Y300. ANA ranked fourth with 7.03m shares and Shinsbo third with 9.80m shares.

Nippon Yakin Kogyo, which had been drawing popularity on the strength of its commercialisation of amorphous alloys, fell Y8 to Y400.

Blue chips eased on small-lot selling triggered by Wall Street's drop. Pioneer registered a sharp drop of Y80 to Y2,260 on rumours that its recurring profit for the first half (October 1984-March 1985) of its current business year might fall almost 50 per cent short of its initial projection of Y6bn.

A securities company official predicted that even after the current holiday week the market might continue this week's trend of speculative funds flowing into low and medium-priced incentive-backed issues.

Bond prices, firmed as brokerage houses, encouraged by the firm tone of the U.S. bond market, increased buying. The yield on the benchmark 7.3 per cent government bonds, falling due in December 1985, edged down to 6.570 per cent from 6.585 per cent on the previous day.

HONG KONG

AFTER a lower opening in Hong Kong, prices rebounded to end narrowly mixed. The keen buying of blue chips appears to have faded with the end of the corporate reporting season.

Jardine Matheson continued to slide, shedding 10 cents to HK\$11.50. Cheung Kong was also 10 cents lower at HK\$16.10, and Swire Pacific lost 20 cents to HK\$24.00.

Among stocks to advance, Hang Seng Bank put on 50 cents to HK\$45.75, Hutchison Whampoa added 10 cents to HK\$23.30 and Hongkong Wharf was 5 cents higher at HK\$6.35.

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WORLD STOCK MARKETS

AUSTRIA

May 2	Price	±
Creditanstalt	512	+4
Erste Bank	485	+8
Industri Bank	765	+1
Landesbank	206	+1
Postbank	206	+1
Steiermark	175	+7
Volksbank	445	+81

GERMANY

May 2	Price	±
AGF-Tel	197.8	-1.2
AGF-Tel	197.8	-1.2
AGF-Tel	197.8	-1.2
AGF-Tel	197.8	-1.2
AGF-Tel	197.8	-1.2

NORWAY

May 2	Price	±
Bergens Bank	146	-
Bergens Bank	146	-
Bergens Bank	146	-
Bergens Bank	146	-
Bergens Bank	146	-

AUSTRALIA (continued)

May 2	Price	±
Gen. Post. Trust	2.2	-0.08
Gen. Post. Trust	2.2	-0.08
Gen. Post. Trust	2.2	-0.08
Gen. Post. Trust	2.2	-0.08
Gen. Post. Trust	2.2	-0.08

JAPAN (continued)

May 2	Price	±
MHI	881	+1
MHI	881	+1
MHI	881	+1
MHI	881	+1
MHI	881	+1

OVER-THE-COUNTER

Stock	High	Low	Last	Chg
Stock	High	Low	Last	Chg
Stock	High	Low	Last	Chg
Stock	High	Low	Last	Chg
Stock	High	Low	Last	Chg

LONDON

Chief price changes	(in pence unless otherwise indicated)
Chief price changes	(in pence unless otherwise indicated)
Chief price changes	(in pence unless otherwise indicated)
Chief price changes	(in pence unless otherwise indicated)
Chief price changes	(in pence unless otherwise indicated)

DENMARK

May 2	Price	±
Andelsbanken	395	-
Andelsbanken	395	-
Andelsbanken	395	-
Andelsbanken	395	-
Andelsbanken	395	-

ITALY

May 2	Price	±
Banco Comite	17,180	+70
Banco Comite	17,180	+70
Banco Comite	17,180	+70
Banco Comite	17,180	+70
Banco Comite	17,180	+70

NETHERLANDS

May 2	Price	±
ACF Holding	205.6	+0.5
ACF Holding	205.6	+0.5
ACF Holding	205.6	+0.5
ACF Holding	205.6	+0.5
ACF Holding	205.6	+0.5

FRANCE

May 2	Price	±
Emprunt 4 1/2 % 1975	726	-
Emprunt 4 1/2 % 1975	726	-
Emprunt 4 1/2 % 1975	726	-
Emprunt 4 1/2 % 1975	726	-
Emprunt 4 1/2 % 1975	726	-

HONG KONG

May 2	Price	±
Bank East Asia	24.2	-0.2
Bank East Asia	24.2	-0.2
Bank East Asia	24.2	-0.2
Bank East Asia	24.2	-0.2
Bank East Asia	24.2	-0.2

SWEDEN

May 2	Price	±
AGA-Lever	420	-
AGA-Lever	420	-
AGA-Lever	420	-
AGA-Lever	420	-
AGA-Lever	420	-

SINGAPORE

May 2	Price	±
Bourgeois Hedges	1.68	+0.07
Bourgeois Hedges	1.68	+0.07
Bourgeois Hedges	1.68	+0.07
Bourgeois Hedges	1.68	+0.07
Bourgeois Hedges	1.68	+0.07

SOUTH AFRICA

May 2	Price	±
Abercon	1.52	+0.02
Abercon	1.52	+0.02
Abercon	1.52	+0.02
Abercon	1.52	+0.02
Abercon	1.52	+0.02

CANADA

Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg

TORONTO

Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg

AMERICAN STOCK EXCHANGE CLOSING PRICES

12 Month	High	Low	Stock	Div. Yld.	100s High	Low	Close	Chg
12 Month	High	Low	Stock	Div. Yld.	100s High	Low	Close	Chg
12 Month	High	Low	Stock	Div. Yld.	100s High	Low	Close	Chg
12 Month	High	Low	Stock	Div. Yld.	100s High	Low	Close	Chg
12 Month	High	Low	Stock	Div. Yld.	100s High	Low	Close	Chg

MONTREAL

Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg
Sales	Stock	High	Low	Close	Chg

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MARKET REPORT

Increased response to optimistic CBI survey lifts equity index 11.5 to 989.9

Account Dealing Dates
 *First Notice Last Account
 Dealing Date: Day
 Apr 15 Apr 26 May 7
 Apr 28 May 10 May 20
 May 13 May 30 May 31 June 10
 New-time dealings may take place from 9.30 am two business days earlier.

London equities responded further yesterday to the Confederation of British Industry's latest survey which pointed to increasing confidence in manufacturing industry's ability to boost output and orders. The latest "performance" by Wall Street, which on Wednesday registered its second successive double-figure decline to its lowest level since mid-January, was brushed aside by enthusiastic UK investors.

Leading shares advanced across the board and the pace gathered momentum as shortages of selected securities were uncovered. Some institutional purchases were again evident, but the bulk of demand originated from private clients. Takeover speculation continued to generate considerable activity, while sterling's slightly easier trend against the dollar prompted support for industrial stocks.

Although interest faded from mid-afternoon onwards, the FT Ordinary share index retained a rise of over 12 points until closing at 989.9, benefiting from renewed strength in Courtland's and Trusthouse's shares. The latter two brokers had upgraded their estimates of the group's annual profits, due to be announced on May 23, accompanied by revised earnings forecasts. While Trusthouse's shares were considered cheap after having been overlooked recently, Courtland's shares attracted attention towards the clearing banks. A broker's circular highlighting the sector's attractions created further interest in National Westminster, higher followed by Lloyds and Barclays. Thorn EMI continued to rise on growing conviction that America's RCA is about to launch a takeover bid. Rowland joined the list of leading companies regarded as prime takeover targets.

The current strength of U.S. bonds which reflects lower domestic interest rates, was ignored by the gilt-edged market. Conventional issues fluctuated narrowly to end with small changes in active direction and only index-linked stocks warranted mention. Scattered support in the absence of worthwhile selling eventually brought gains in the area ranging to 1.

Clearer strong
 The major clearing banks closed the day with double-figure improvements. Lloyds, whose recent move to capital markets, was particularly active in a rights issue, advanced 15 pence for a two-day jump of 27 pence. NatWest jumped 23 pence to 635, while Barclays climbed 10 pence to 595. Midland finished 10 pence higher.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Their May 2 1985		May 1		May 2		May 3		Year ago (approx)	
Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change	Index	Day's Change
1 CAPITAL GROUPS (200)	135.33	+0.7	135.33	+0.7	135.33	+0.7	135.33	+0.7	135.33	+0.7	135.33
2 Building Materials (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
3 Contracting Contractors (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
4 Electronics (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
5 Engineering (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
6 Metals and Metal Forming (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
7 Motor Cars (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
8 Other Industrial Materials (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
9 Textiles (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
10 Other Industrial Materials (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
11 Chemicals (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
12 Food (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
13 Retailing (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
14 Health and Household Products (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
15 Newspapers, Publishing (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
16 Packaging and Paper (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
17 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
18 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
19 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
20 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
21 OTHER GROUPS (77)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
22 Chemicals (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
23 Mechanical Engineering (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
24 Shipping and Transport (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
25 Miscellaneous (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
26 Telephone Networks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
27 INDUSTRIAL GROUPS (400)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
28 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
29 Financial GROUPS (200)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
30 Banks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
31 Insurance (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
32 Insurance Companies (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
33 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
34 Property (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
35 Investment Trusts (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
36 Other (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
37 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
38 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
39 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
40 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
41 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
42 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
43 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
44 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
45 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
46 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
47 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
48 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
49 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
50 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
51 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
52 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
53 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
54 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
55 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
56 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
57 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
58 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
59 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
60 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
61 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
62 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
63 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
64 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
65 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
66 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
67 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
68 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
69 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
70 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
71 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
72 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
73 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
74 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
75 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
76 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
77 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
78 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
79 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
80 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
81 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
82 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
83 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
84 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
85 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
86 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
87 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
88 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33
89 All Stocks (20)	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33	+0.1	135.33

38 AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

James Finlay Unit Trust Mgmt. Ltd. 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835,
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Financial Times Friday May 3 1985

City of Westminster Insurance			General Portfolio Life Ins. PLC		
Society House, 500, Abchurch Lane,			Greenland St., Clerkenwell, EC2.		0992 3197
Central Mutual Keyman W/LA					
Life (1995-00/01) 1000000					
Current Rates:					
Property Fund	115.7	112.7			
Money	114.4	109.7			
Managed Fund	114.4	109.7			
Fixed Interest Fund	114.4	109.7			
North Atlantic Fund	114.4	109.7			
Foreign Investment Fund	114.4	109.7			
U.S. Fund	114.4	109.7			
Property Fund	114.4	109.7			
For other prices contact 01-259 2556					
Chemical Mutual/Property International			Greenwich Unit Assurance Ltd.		
100, Abchurch Lane, EC4A 3DF		0272 209566	100, Abchurch Lane, EC4A 3DF		0272 767600
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Colonial Mutual Group			Guarantee Royal Exchange		
100, Abchurch Lane, EC4A 3DF		01-240 9501	100, Abchurch Lane, EC4A 3DF		01-263 7700
Capital Life Assurance			Capital Life Assurance		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Commercial Union Assurance			Hartley & Son Life Ass. Soc. Ltd.		
35, Abchurch Lane, EC4A 3DF		01-243 7500	35, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Crest Life Assurance PLC			Imperial Life (UK) Ltd.		
50, Abchurch Lane, EC4A 3DF		01-243 7500	50, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Crest Life Assurance PLC			Imperial Life (UK) Ltd.		
50, Abchurch Lane, EC4A 3DF		01-243 7500	50, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Crest Life Assurance PLC			Imperial Life (UK) Ltd.		
50, Abchurch Lane, EC4A 3DF		01-243 7500	50, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Crest Life Assurance PLC			Imperial Life (UK) Ltd.		
50, Abchurch Lane, EC4A 3DF		01-243 7500	50, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	107.7
Property	115.7	107.7	Property	115.7	107.7
For other prices contact 01-259 2556			For other prices contact 01-259 2556		
Crest Life Assurance PLC			Imperial Life (UK) Ltd.		
50, Abchurch Lane, EC4A 3DF		01-243 7500	50, Abchurch Lane, EC4A 3DF		01-377 1220
Investment Funds:			Investment Funds:		
Money	115.7	107.7	Money	115.7	107.7
Fixed Interest	115.7	107.7	Fixed Interest	115.7	

**F.T. CROSSWORD
PUZZLE No. 5,709**

ACROSS

- 1, 5 A healthy comparison (2, 3, 2, 1, 6)
- 9, 10 Common won't accommodate these wild flowers (5, 3, 6)
- 12 A month to live, perhaps (5)
- 13 Six men are about to question us (9)
- 14 Piece of music in E sharp, perhaps (6)
- 16 Put in a demand for medical treatment (7)
- 19 Set great store by (7)
- 21 Strangely adores mountain nymphs (6)
- 23 Rejecting a faulty decision? (6, 3)
- 25 Type of song not to miss? (5)
- 26, 27 Professional footballer returned to his trade (4, 2, 8)
- 28, 29 Not a private correspondence, it seems (6, 8)

DOWN

- 1 A past love, far from distinguished (8)
- 2 Unusually soft, hairy shrub (9)
- 3 Discrimination makes sense (5)
- 4 Screen I wrrenched open (7)
- 6 An item in a lifeless form (9)
- 7 Energy needed for a sales campaign (5)
- 8 Part of New York set aside perhaps (4, 4)
- 11 Dust one may well find on the bathroom shelf (4)
- 15 Worker in love and upset at heart is rather slow (8)
- 17 The farthest one will be from a bank (9)
- 18 Like a chubby child that is high-spirited? (8)
- 20 Designer employed in radio research (4)
- 21 Concluded with variety act in current production (3-4)
- 22 Search for one drink after another (6)
- 24 Healing substitute? (5)

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COMMODITIES AND AGRICULTURE

Supply squeeze lifts copper

By JOHN EDWARDS, COMMODITIES EDITOR

THE HIGHER grade copper price jumped by \$7.50 a tonne yesterday on the London Metal Exchange as the "squeeze" on available supplies tightened with a vengeance.

Dealers said there were signs of some panic buying by the trade, which had thought the supply situation was getting easier. Now the forecast is that the cash price premium could widen to \$100 over the three months' quotation, which was \$25 up at \$1,203.5, reflecting the decline in sterling and the dramatic cash price increase.

The steady decline in stocks in the LME warehouses pushed the cash price to a premium early in April, but so far the higher values have failed to attract much extra supply.

A supply shortage and the threat of a strike by Cominco workers in British Columbia boosted lead and zinc values.

Tin prices also moved up, in spite of a sharp overnight decline in the Kuala Lumpur

market. Substantial support buying by the buffer stock of the International Tin Council emerged for the first time for several weeks and standard grade cash tin closed \$44 up to \$2,444 a tonne.

The buffer stock tactics in allowing tin prices in Malaysia to fall so far below the International Tin Agreement "floor" of \$2,290.15 a kilo has puzzled London traders and inevitably triggered off fresh rumours that funds are being exhausted. It is thought the buffer stock may have been reluctant to buy too much at the beginning of the export quota month, when miners step up their offerings in Kuala Lumpur.

Wong Sulong writes from Kuala Lumpur: The Straits tin price on the Kuala Lumpur market dropped by 31 cents to \$2,357.40 a kilo—the lowest level for eight years. Offerings jumped to a total of 706 tonnes, but U.S. and Japanese buyers, well as other traders, bought about 60 per cent, attracted by the low price.

Zimbabwe prepares for beef exports to the EEC

By A CORRESPONDENT

ZIMBABWE is set to export beef to the EEC this year, for the first time.

The country hopes to send as much as 8,100 tonnes to Europe, providing Community vets are satisfied that foot and mouth disease has been eradicated from all livestock.

The deal represents a major success for Zimbabwe's agriculturalists, who have suffered the past four years trying to meet high EEC standards. The drive to improve the health of cattle has involved wide-scale fencing programmes to isolate meat-griving livestock from the disease, at an estimated cost of \$21m (\$5.5m).

To curb the disease, Senator Denis Norman, the Agriculture Minister, authorised the culling of some 250 buffalo, provoking an outcry from environmentalists over the methods used.

A further \$23m, was spent on building new abattoirs throughout the country in order to meet EEC regulations on refrigeration and slaughtering.

In spite of the outlay, the favourable prices of the EEC are worth \$250-300m to Zimbabwe—three and a half times more than the country can start exporting at the end of September. I am also confident that we will be able to fulfill our quota of 8,100 tonnes by the end of this year.

Zimbabwe already exports beef to European countries such as Spain, Switzerland and West Germany.

Sterling boosts cocoa and coffee prices

By Our Commodities Staff

LONDON's sterling-priced soft (non-metals) commodity markets moved higher yesterday helped by the downturn in the UK currency. Sugar futures, which are dollar-denominated, fell back quite sharply.

Supported by talk of frost in non-coffee areas of Brazil, the July coffee quotation ended the day \$23.50 higher at \$2,187 a tonne. Some traders thought the frost reports were premature but others said they could not be ignored. The reports were probably responsible for some protective covering and speculative buying, they said.

Cocoa futures continued Wednesday's late rally, which was triggered by suggestions that the market had become overvalued in the recent sustained decline to seven-month lows.

The July position gained \$19 to \$1,889 a tonne but with supply plentiful and physical demand still slack few dealers were forecasting a substantial price recovery.

● **EC SUGAR** export authorisations at yesterday's tender, which included the new supplementary series, contained no surprises. London sugar traders said.

Both results were much as expected, although the European Commission authorised a larger tonnage on the supplementary tender than on the old series.

The new tender for July-September licences saw 35,750 tonnes of whites authorised, with subsidies of up to 43,606 European currency units per 100 kilos, while the old campaign involved 28,000 tonnes of whites with a maximum subsidy of ECU 44,100.

With 30,000 tonnes of raws authorised for export, the old series of ECU 40.51 subsidy, export allocations totalled 66,750 tonnes. The expected level was about 60,000 tonnes.

● **FRENCH SUGAR** Market Intervention Board has raised its estimate of 1985-86 EEC beet sugar output to 11,73m tonnes from 11,67m tonnes a month ago. Production in 1984-1985 was 12,19m tonnes.

Nancy Dunne on Congressional efforts to protect agricultural earnings U.S. searches for a compromise farm Bill

THE REAGAN Administration's 1985 Farm Bill is dead. Even Mr. John Block, the U.S. Agriculture Secretary, admits its passing.

But still alive and kicking is its central proposition: that would make U.S. farm exports competitive again by lowering the loan rate which serves as price supports. The threat which that implies to the European Community, which might have to pay increased export subsidies to sell its grain surplus, shows no sign of going away.

What Congress has not accepted from Mr. Block is a sudden, sharp shredding of the farm safety net at a time when 93,000 producers are near bankruptcy, 100,000 more are in deep trouble and about 500,000 family farmers are watching the value of their assets decline.

In spite of the welter of farm Bills under consideration, some consensus has been reached on three points enunciated at a series of hearings by Mr. Marvin Duntz, vice-president of the Kansas City Federal Reserve Bank. These are:

● A Bill alone cannot solve the farm problem. Interest rates and the dollar must come down through the reduction of the budget deficit.

● Lower loan rates are critical

in sending important signals to foreign producers and buyers as well as U.S. farmers.

● New agricultural legislation must spend public funds more effectively and contribute to reducing the budget deficit.

For the time being, the Congressional agriculture committees are biding their time, awaiting the outcome of the budget battle before they seriously start writing new Bills. Legislators are not going to abandon their constituents by volunteering the farmers for cuts not ordained in the budget, and once they get down to business they will have an eye on the 1986 Congressional elections when Republicans could lose control of the Senate through defections of a few key farm state senators.

In the House and the Senate they will search for the means to protect farmers' income, keeping in mind the threat of a presidential veto if they do not find a cheap way to do it.

Mr. and Mrs. Dunne are also of directing income protection to the middle-sized "family farmer." One proposal is to maintain subsidies provided through the Department of Agriculture, but capping them at \$25,000 (\$20,500) per farmer to prevent the large producers from walking off with the bulk of

government assistance as they have so often in the past.

There is also talk of capping the non-recourse price support loans available to farmers each year. Mr. Block wanted to abolish this system whereby farmers can forfeit their crops to government reserves instead of repaying loans made to them at harvest time from public funds.

Also under consideration is a multi-year land retirement programme, recommended by Mr. Dunne, which could remove 25m acres of marginal land from production and stem the slide in land values.

Attention is also being focused on legislation proposed by Senator Jesse Helms, chairman of the Senate Agriculture Committee.

His Bill would reduce commodity price supports but less drastically than the Administration has proposed. It contains a "trigger" provision which would keep export prices higher than export prices. This, according to Mr. Gene Moos, House agriculture committee aide, was tried and failed in the early 1970s.

Whatever Bill ultimately gets past the threat of a presidential veto will give U.S. farmers a different signal. Mr. Moos said. They will no longer be planting fence post to fence post to feed the world.

Non-quota coffee sales cut after ICO ruling

SALES by exporting members of the International Coffee Organisation (ICO) to importing countries who are not members have fallen sharply recently, according to London traders.

This follows the ICO's adoption last month of a resolution under which exporters are required not to make sales to non-members on or after April 22 at prices below those charged to members for the same type of coffee. Producers of coffee, however, have effectively ceased, though some sales to non-members are being made via the second-hand market. Traders in Central American producers were said to have stopped offering to non-members. The most significant exporters to non-members are Costa Rica, Honduras, Guatemala and Mexico. Brazil and Colombia were also said to be making no offers to non-members. Brazilian non-member exports were 1.17 bags in October-March this season against 7.74m to members, while Colombia's were 319,000 against 4.58m.

Indonesia, which sold 1.23m bags to non-members and members in October-March, was said to have closed export registrations to non-members.

Mr. Dharyono Kertoesatra, chairman of the Indonesian Coffee Exporters' Association, was quoted as saying his organisation had asked the government to consider leaving the ICO, whose decision on export prices to non-members he called unrealistic.

London traders yesterday doubted Indonesia would leave. It would still face keen competition from other ICO producers in non-member markets, they said.

Many exporters face debt problems and a pressing need to sell to non-members will remain, therefore, particularly on those members, of which Indonesia is one, who feel their ICO quota does not adequately reflect the size of their crop.

But the ICO is expected to be the first to resume sales and they are likely to play a waiting game, they added. Reuter

Poultry import curb urged

By ANDREW GOWERS

BRITISH POULTRY farmers and processors yesterday renewed their pressure for protection against imports from other EEC countries, calling for a strict limitation on the number of ports through which poultrymeat is allowed to be imported.

Mr. Maurice Stokes, chairman of the British Poultry Federation, told its annual general meeting that the allegedly low standard of cheap poultrymeat and egg imports from the Continent was posing a threat to the industry.

"As to poultrymeat, low standards of imports give it a bad image to the British consumer at a time when all other countries the consumption of poultrymeat is developing

well," he said.

He demanded that, as with red meat, the number of ports of entry should be limited, so that poultrymeat could be more easily checked for compliance with EEC standards.

His plea was, however, rebuffed by Mrs. Peggy Fenner, Parliamentary Secretary at the Agriculture Ministry.

"We have thought seriously about this, but in fact we do not see the need to be any more stringent in so doing. We could hardly bar any port currently involved because that would be regarded as a barrier to trade."

The British Government is still considering the merits of the ban on poultrymeat which came to an end last September.

Biffex turnover increases

By OUR COMMODITIES EDITOR

TURNOVER on the Baltic Freight Futures Exchange rose during the second day of trading yesterday to 198 lots, compared with 157 lots on the opening day.

Mr. Paul Vogt, Biffex chairman, said he was very happy to see a rising trend. He thought interest in the market had been stimulated by the start of actual trading.

However, with the Japanese on holiday this week and Wednesday's May Day holiday restricting business, the physical market remained quiet and most of yesterday's trading volume was from local broker-dealers.

The shipping industry in general continues to take a wait-and-see attitude and it is anticipated that it may be some time before it provides any substantial support.

Meanwhile, Inter, the Bermuda-based fully automated futures exchange, which deals solely via computers, achieved a turnover of 180 lots on its first day of trading.

The Inter ocean freight contract, which, like Biffex, is based on the Baltic Index, started trading a few hours after Biffex but did not close until 4 pm London time.

Most of the 40 or so Inter computer screens are in New York and Chicago, with only eight in London, so it trades in line with other futures.

Virtually all the trading on Inter is believed to have come from U.S. speculative interest.

LONDON MARKETS

BASE METALS

LME—Prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial + or -	High/Low
Cash	\$212.5-2.5-1.5	—
3 months	\$231.6	+2 940/926

Official closing (am): Cash \$210.50 (1979-81); three months \$210.50 (1979-81); settlement \$210.50 (1979-81); turnover 706 tonnes.

COPPER

	Unofficial + or -	High/Low
Cash	\$1,203.5-7.5	1,178/1,160
Three months	\$1,203.5-7.5	1,181/1,164

Official closing (am): Cash \$1,203.50 (1979-81); three months \$1,203.50 (1979-81); settlement \$1,203.50 (1979-81); turnover 706 tonnes.

LEAD

	Unofficial + or -	High/Low
Cash	\$230.5-10	230/227
Three months	\$231.5-10	231/226

Official closing (am): Cash \$230.50 (1979-81); three months \$231.50 (1979-81); settlement \$230.50 (1979-81); turnover 706 tonnes.

NICKEL

	Unofficial + or -	High/Low
Cash	\$24,500-10	24,500/24,488
Three months	\$24,500-10	24,500/24,488

Official closing (am): Cash \$24,500.00 (1979-81); three months \$24,500.00 (1979-81); settlement \$24,500.00 (1979-81); turnover 706 tonnes.

ZINC

	Unofficial + or -	High/Low
Cash	\$2,177.5-0.5	—
Three months	\$2,177.5-0.5	—

Official closing (am): Cash \$2,177.50 (1979-81); three months \$2,177.50 (1979-81); settlement \$2,177.50 (1979-81); turnover 706 tonnes.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	May 2 + or -	Month ago
Aluminium	\$211.00	\$211.00
Cash	\$212.50	\$212.50
3 months	\$231.60	\$231.60

METALS	May 2 + or -	Month ago
Copper	\$1,203.50	\$1,203.50
Cash	\$1,203.50	\$1,203.50
Three months	\$1,203.50	\$1,203.50

METALS	May 2 + or -	Month ago
Lead	\$230.50	\$230.50
Cash	\$230.50	\$230.50
Three months	\$231.50	\$231.50

METALS	May 2 + or -	Month ago
Nickel	\$24,500.00	\$24,500.00
Cash	\$24,500.00	\$24,500.00
Three months	\$24,500.00	\$24,500.00

METALS	May 2 + or -	Month ago
Zinc	\$2,177.50	\$2,177.50
Cash	\$2,177.50	\$2,177.50
Three months	\$2,177.50	\$2,177.50

INDICES

FINANCIAL TIMES

	May 1 April 1984	May 1 April 1984
2817 208.08	207.02	306.90
(Base: July 1 1982 = 100)		

REUTERS

	May 1 May 1984	May 1 May 1984
1894.9	1891.6	1890.2
(Base: December 31 1983 = 100)		

MOODY'S

	May 1 May 1984	May 1 May 1984
982.1	937.8	850.1
(Base: December 31 1983 = 100)		

DOW JONES

	May 1 April 1984	May 1 April 1984
1118.87	1117.27	1104.54
(Base: December 31 1978 = 100)		

COCAOA

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

SUGAR

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

POTATOES

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COFFEE

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

SOYABEAN MEAL

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

OIL

The weight of unused May crude pushed Brent down 20c and 40c depressed both Gulf and Atlantic.

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

GAS OIL FUTURES

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

NEW YORK

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

PRECIOUS METALS

were fractionally higher trading on financial markets rather than on commodity exchanges.

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

GOLD

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

SILVER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

PLATINUM

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

PALLADIUM

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

RUBBER

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

COTTON

	May 1 May 1984	May 1 May 1984
1707.1000	1699.1	1698.1
(Base: December 31 1983 = 100)		

MARKETS

CBI survey spurs index, but it could be temporary

London

After weeks of trading in a narrow range the market could now be on the verge of breaking out and moving upwards—at least that is how the bulls see it. Over the week the FT All-Share Index has risen more than six points to around 650, the upper limit of its recent trading pattern.

It was the strongly positive survey of business opinion by the CBI that seemed to be the reason for this rise. While there are always those arguing the primacy of purely technical factors it does seem as if the improved sentiment was the main factor this time round.

However, this progress could soon be halted if the City continues to revise downwards its estimates for profits for 1985. For months the trend has been to pump up the profits expectations and in the absence of more positive signs of growth from the economy this has kept the market buoyant.

Now the forecasts are being revised down and the expectation is for profits to grow by some 10 per cent overall—a full three points lower than earlier predictions. While such a rate of growth is by no means a disaster the very fact of a shift in the forecasts in the opposite direction could hold the market back.

The news on the oil front is also not encouraging—spot prices for North Sea crude fell 40 cents over the week and it may only be the refusal of the European winter to go away that is preventing the forecast offensive against Opec's prices from taking off.

Cautious welcome

While there are many similarities between the handling of the British Aerospace offer for sale and the British Telecom flotation the fact that the offer is a secondary one aimed mainly at institutions and at a certain class of private investors means that the atmosphere surrounding it cannot be expected to be the same. The roadshows apart it is unlikely that BAE will produce the share buying euphoria that marked the closing days of the BT issue.

The market's initial response to the offer has been to give it a cautious welcome—although there is a lot of deviling deep into the analysts reports to discover more about the group's long-term prospects.

BAE ended 1984 with an excess of liquid assets over borrowings of £21m. The £18m raised through the one for four equity issue which is to be made in parallel with the share

offer should help fund the R. and D. bill and smooth out the cash flow curve as launch costs eat into earnings.

Shining Tarmac

Aggregates are not everyone's idea of a glamorous business but the performance of Tarmac over the last three years has surely given even the coarsest of stones some shine to them. So far this year the shares have put on 100p, taking them up to new—although not as yet totally uncharted—heights.

Once the shares are priced issue it may be that they will be seen as still cheap enough to justify a rise into the 300p region. All of this depends on the group not having recourse to any major rights issue over the coming year. This would help win shareholders' confidence already bolstered by this year's above forecast dividend increase.

Central to earnings growth has to be the exploitation of the greatly expanded U.S. businesses and the UK housing side. With potential turnover of \$240m the U.S. combined operations should see \$24m pre-tax (and pre-interest) profits in 1985. Housing completions at home are expected to reach 8,250—here the firming of prices should again keep growth on track although a repeat of 1984's 50 per cent rise in this division is unlikely.

The plan to float off part of Plascom, in the oil and gas division, which is expected to raise £8m in early summer, will not affect the market's judgment much—except to reassure those who would prefer Tarmac to stick to what is good at that the group is heading the message.

The Haden bid

Trafalgar House shocked quite a few people when it made its bid for Haden—not the least displeased were the management of the target who had just come through a tricky reorganisation programme putting their house in order and building up a stable order book.

The upshot was a spirited defence document which won general praise throughout the construction industry. Even competitors seemed saddened by the prospect of losing the engineering group from the lists.

The only question for Haden was how to escape from such unwelcome approaches. Enter the wise men from Schroders, some of whom may have been visiting the U.S. over the past year and picked up on the management buy-out fashion (and perhaps even brought a poison pill or two back in their duty free) that has swept Wall Street.

The impact on the share price of the original bid might have been defences enough in the old days—and then the logic would have been for the situation

players to take their profits and move on. Most analysts viewed the company as overvalued on a multiple of 10 anyway.

Then came the management buyout announcement. Clearly the top executives having brought the company through its trials were keen to have a chance to run with the ball—rather than have it taken off them just as they had got it back into play.

Sealing its influence as likely to diminish in the event of the scheme succeeding the market decided that it was due a premium and promptly put 22p on the already bloated price.

Or maybe this is just the market's way of saying that it doesn't really want the management plan to go through either. After all the conversion of Haden into a company where the preference share tail wags the ordinary share dog may not be the kind of capital structure many would like to see—although 120p extra a share will be a serious persuader.

Yesterday Trafalgar surprised again by announcing somewhat prematurely its interim results. Profits before tax were ahead strongly—although the share price move was only modest. Also announced was an extension of the offer for Haden along with the news that acceptances so far had been less than 20,000 shares or just over 0.1 per cent of the target's equity. This gives Trafalgar 5.12 per cent of Haden. One purpose in bringing forward the interim has to be to give Trafalgar a freer hand to consider making Trafalgar another offer—equally Trafalgar will want to study the details of the 360p a share consortium management buyout scheme.

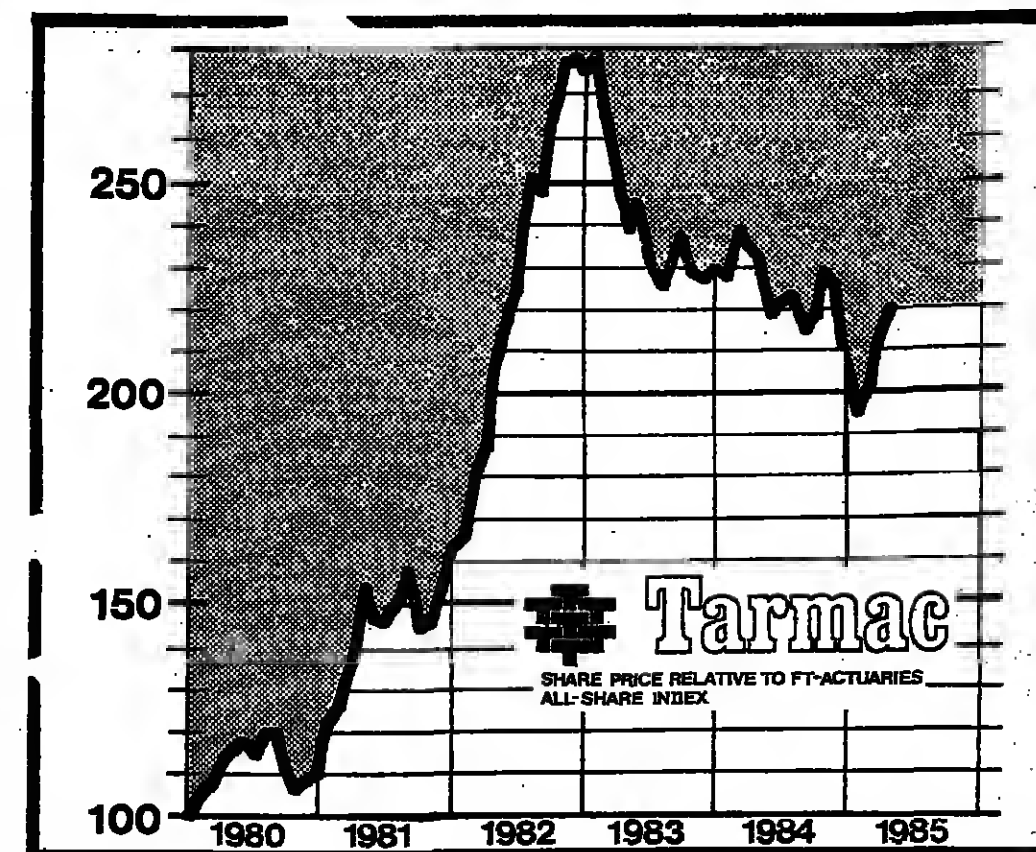
Meanwhile back at Kleinwort, Benson (financial advisers to Trafalgar) the thinking caps are reported to have been put back on again as the £175m rights issue proceeds are beginning to burn a hole in Trafalgar's corporate pocket.

Avoiding risks

The Euromarket has responded very favourably to Lloyds Bank's perpetual floating rate note issue. Started at \$400m it was quickly boosted to \$600m and yesterday raised again to \$750m.

Some in the market have been a little surprised by the issuing of the notes at all having calculated that Lloyds was within the Bank of England's capital ratio guidelines issued in November and therefore would not have any need to raise further equity.

The real answer as to why the floater could well turn out to be a piece of well-timed house-keeping is that the planning of the increasing book of dollar assets can be done in dollars and exchange risks thereby avoided. The integration of



Lloyds Bank International into the group will increase the exposure to dollar denominated risks as well as probably require strengthening of group provisions for loans made in dollars.

As the first floater of its kind, this issue is hard for the stock market to assess. Lloyds' shares

have picked up since the issue of the notes, but they remain historically weak having underperformed the market for three years.

However, in time and once the bank's management convinces the market that it can cope with the unified structure,

the floater may well come to be looked back on with a certain warmth. It was after all effective (and because of the Bank of England's insistence) an issue without rights, welcomed by those who didn't want an issue in the first place.

Terry Povey

MARKET HIGHLIGHTS OF THE WEEK

	Price	Change	1985	1985	
F.T. Ord. Index	959.9	+19.0	1,024.5	923.7	Optimistic CBI survey on economy
F.T. Gold Mines Index	483.3	-37.9	536.9	439.5	Bullion easier on firm dollar
BAT Inds.	318	-20	356	308	Adverse U.S. influences
Bass	545	+25	547	472	Revived institutional demand
British Syphon	156	+21	156	97	Annual results and scrip issue
Burmah Oil	238½d	+23	238	200	Revived bid speculation
Carpets Intl.	73	+10½	75½	30	Persistent bid speculation
Firstland Oil & Gas	240	+54	240	115	U.S. exploration hopes
Lloyds Bank	550	+38	608	518	U.S. \$ boom floating rate loan
Owen Owen	210½d	+23	260	178	Speculative bid hopes
Planet Group	106	+22	106	61	Bid from Heywood Williams
Redfern Natl. Glass	90	+12	95	65	Revived bid speculation
Salisbury (J.)	348	+20	348	286	Annual results due shortly
Shiloh	70	+27	80	35	Results well above market estimates
Sons of Gwalia	108	-17	126	58	Profit-taking
Sun (UK) Royalty	170	+45	170	100	Rumoured North Sea oil find
Thorn EMI	455	+38	494	395	Persistent demand arouses bid talk
Uulgroup	42	+16	42	20½	Messrs Goodman and Miller acq. 12.9%
Vaal Reefs	£76½	-4½	£85½	£66½	Labour unrest at mining complex
Wadkin	130	-12	146	110	Poor annual results

RESULTS DUE NEXT WEEK

Stores in the limelight

THREE OF Britain's largest retailers show their financial wares to the world next week.

Marks and Spencer showed on Tuesday reveal sales of more than £23m for the first time—perhaps hitting £25m for the year to the end of March, making an annual increase of 14 per cent. But pre-tax profits growth is expected to be more modest—maybe 10-12 per cent up to between £305m-£310m.

However, within these figures M&S will be able to show that a much stronger second half followed a dull first six months, and there may be signs that the improvement is still there in the opening weeks of 1985-86.

It suffered last year as many of its more fashion-conscious women customers turned away to buy clothes elsewhere, notably at J. H. P. Next chain. This year's St Michael ranges are said to be brighter—but it will be too early to judge the results.

Meanwhile, if M&S was caught on the hop in womenswear, it is well ahead of the game in other departments—profits from menswear, food, homeware and footwear should all show good improvements.

But across the Atlantic, M&S has still not got right. Its Canadian stores after years of trying—dollar profits will be down on the previous year.

British Home Stores, which releases results for the year to the end of March on Tuesday, is in the middle of a costly programme of refurbishing stores which is likely to go on for a few years yet. Inevitably, falling interest receipts and higher depreciation charges are holding back profits growth, at least in the short-term. The pre-tax total for last year is likely to be 8-9 per cent higher at about £80m (£85.2m).

Like M&S, BHS should have seen a much better second half, with sales particularly strong in the Christmas period. The group is also achieving better margins by stocking the shelves with more expensive housewares and foods to replace less profitable lines.

Dabenhams, one of the stock market's favourite take-over tips, tries to concentrate City minds on its results instead on Tuesday.

Pre-tax profits for the year to the end of January, excluding property sales and other non-trading items, should be up to about £41m (£35.5m). But the overall group advance will encompass a mixed bag of performances from individual companies, some outstanding, others frankly indifferent.

There will be good results from fast-growing Welbeck Finance, now contributing almost half of group profits, and from the revitalised footwear activities. But, in the department stores, the two businesses in which Harris Queensway has bought stakes—furnishings and Greens Leisure Centres—are taking

longer to turn around than in the second half.

However, other department store activities should show better profits, largely as a result of tighter cost control, rather than any great increases in turnover.

This year is supposed to be the one when the long awaited recovery in UK composite insurance companies finally starts. However, it is almost certain that there will be no evidence of any such recovery when Royal Insurance reports its first quarter results on Thursday.

The most optimistic analysts do not expect Royal to do any better than last year's first quarter pre-tax loss of £20m, while the more pessimistic expect losses to be at least double.

Underwriting losses could be at least one-third higher at around £155m with U.S. losses rising a quarter to £75m, due more to the weakness of sterling than to any further deterioration in this already very weak insurance market.

Canadian losses are likely to double to £18m as that market copes with the new environment created by recent Court decisions and Australia's expected return to losses as a result of floods and bush-fires in Queensland and New South Wales.

The market expects UK losses to be around last year's £25m level, and Royal says it has been hit hard by this past winter as in 1984. The only bright spot is a one-fifth rise in investment income to £80m thanks mainly to ster-

ling's weakness. The market will have to look to the second half for the recovery.

Whether Royal Bank of Scotland will manage to improve on the remarkably good second half of 1984 when it announces its interim on Thursday is a moot point. However the City is unanimous in expecting a large improvement over the £54m earned in the first half of last year, and is looking for something between £70m and £78m pre-tax.

Earnings per share may show only a modest advance, as a result of a rising tax charge (which could be as much as 60 per cent) and the one-for-four rights issue last January.

Provisions for bad debts should be up from about £17m a year ago to around £20m, although remaining roughly constant as a proportion of the loan book.

Some increase in the dividend, perhaps by as much as 12 per cent can be expected, as the bank still perceives itself to be vulnerable to a takeover bid. The market has discounted a good set of profits from the Bank and the shares have been strong performers in the last some profit taking after the results are announced.

Contributors:

Lucy Kellaway

Eric Short

Stefan Wagstyl

Take-over bids and deals

Company	Value of bid per share**	Market price**	Price before bid	Value of bid	Bidder
Prices in pence unless otherwise indicated.					
Adams & Gibson	240*	244	234	4.32	Keop Trust
Allied Textile	476	485	430	43.18	London & Midland
Anvil Pet	490*	55	50	9.66	Berkeley Expln
ASB Hides	318	32	35	9.00	Minc Ind
Bonshondy	105*	107	90	1.83	Promotions Hse
Brown (Matthew)	449½	375	323	101.38	Scot & Newcastle
Cartwright B.	130½	178	107	8.76	Henderson Group
Cole Group	161½	178	122	4.83	Moss (Robert)
Dunlop	24	66	31	34.52	BTR
Enery Services	91	99	67	34.26	Peek Hlds
Foster Bros	258½	225	222	106.78	Sears Hlds
Haden	240*	358	222	27.18	Trafalgar House
House of Fraser	400*	396	346	430.82	Al Fayed Inv & Trust (UK)
Hurst (Charles)	200*	198	190	4.32	Garvagh Secs
Imed Business Sys	40*	38	40	5.40	Weelabrator Intl
Ingal	80*	73	73	7.30	Gr Midland Co-op
Ingal	105*	107	90	9.53	House of Fraser
Initial	555½	540	533	303.80	BEP
Jackson J. & H.B.	116½	122	84	27.82	Williams Hlds
Manor National	11½	104	13	2.00	Brannell (C.D.)
MFI	292½	291	258	576.20	Assoc Dairies
MJH	18½	17½	15	4.14	Leigh Interests
Minthead	170	165	145	14.46	RFP
Petrol	80	84	81	12.12	Saxon Oil
Planet Group	113	106	86½	11.31	Heywood Williams
Rentledge & Kegan Paul	334½	370	283	4.49	Assoc Book
Selincourt	34	31½	28½	17.60	Stormgard
Solicitors Law	36	37	37	4.14	Hollis Bros
Solicitors Law	37	41	43	4.23	Pergamon
Times Veneer	20*	46	49	1.41	CDI Hlds
Trident Computer	80	75	70	2.01	Park Place
UBM	193½	192	158½	113.95	Norcora
Waring & Gillow	160*	148	155	24.96	Ropecasters
Westland	150*	143	140	88.90	Bristow Rotocraft
Yorkgreen	15	13	10	1.66	Talbot Group

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on May 3 1985. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. |||| Loan stock. §§ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Aberdeen Const	Dec	4,880	(5,240)	16.5 (19.3)
Alibon	Dec	730	(404)	1.5 (1.0)
Assan Doars	Dec	401	(122)	21.3 (8.2)
Barham	Jan	562	(230)	12.5 (8.6)
Brit Syphon	Dec	1,070	(412)	7.5 (3.1)
Dan Air	Dec	3,110	(4,310)	36.6 (38.0)
Edin Oil & Gas	Dec	2,080L	(1,030)	12.6 (10.4)
Farrell	Feb	20,290	(15,790)	8.1 (5.6)
Flight Refuel	Dec	10,500	(7,850)	14.6 (12.6)
Fosco Masep	Dec	24,500	(20,850)	23.7 (12.8)
French Kier	Dec	16,350	(14,330)	18.7 (17.2)
J. J. & D. Frost	Dec	1,040	(831)	7.2 (6.7)
Georg Gross	Dec	1,520	(1,250)	10.6 (7.1)
Griffiths	Feb	385	(307)	15.6 (12.3)
Dec	1,630	(1,350)	3.4 (4.4)	
Dec	35	(49)	37.0 (44.1)	
Dec	183	(165)	3.4 (3.0)	

Buy yourself onto the treadmill

USM

USM entrants, beware! The City will conspire against you to make it a costly business. First, pressure will be put on you to hire an expensive London firm rather than a local one that already knows your business. Once in the City, churches charges are likely to be initiated by needless duplication of effort, and your business passed on from banker to lawyer eager to do one another a favour.

Moreover, there is no assurance that you will be buying the best advice. Brokers tend to price the shares too low to ensure that a fat profit is made by the market. And as if that wasn't bad enough, once on the USM, you are likely to find yourself on the treadmill with further pressure exerted to strive towards the additional expense of a full listing.

Many of these charges have been bubbling under the surface since the USM began. But they were brought out into the open this week after the release of a draft speech written by Mr. Warner Taylor, managing director of Air Call—the first company to join the USM—for a conference arranged by Business Research International on Tuesday.

Mr. Taylor is particularly worried that the rising costs of joining the USM are going to hamper the market's development, and send potential entrants to the capital over the counter market. Businesses should not have to go to the City to get a USM quote, he argues, and "the layers upon layers of extra people who are now needed to bring a company to market make one feel outnumbered." When Air Call came to market in 1980 it cost some £75,000. Mr. Taylor estimates it would now cost about £250,000.

But rising costs don't as yet seem to be stemming the stream of companies joining the USM; and a straw poll of 10 companies taken at random from the 400 odd companies that have followed Air Call to the market suggests that more are inclined to praise than criticise those City institutions that "helped them get a quote."

"A year ago I didn't know anything about the City," admits Anthony Martin, Chairman of Microvitec, which came to market last May. "We appointed a firm of merchant bankers (Hill Samuel) to advise us who we feel did an excellent job."

There does, however, seem to be a good deal of pressure being put on companies to choose large firms of City auditors and solicitors, although it is still possible to manage a successful entry to the USM by using smaller local firms.

"Firms who could do a perfectly competent job aren't allowed to try," comments Hugh

Sykes, chairman of Thermal Scientific. "There's the City network—and it's hard for those outside to receive the degree of respect from those who are part of it."

And what about costs? Although the fees attached to coming to the USM vary enormously, depending on whether the company is brought in an introduction, a placing or an offer for sale, and on whether a merchant bank is involved, most companies seem to think they are getting value for money.

At one end of the scale is Merrydown Wins which managed to get a quota for a total sum of £5,000 four years ago. Needless to say, its directors are not grumbling about costs.

Merrydown joined the market via an introduction, a route which is only open to companies which already have at least 10 per cent of their shares held by the public. It is the cheapest way in, because it does not involve the sale of shares, the huge expense of issuing a prospectus is avoided.

And as Merrydown was already traded under rule 162 (3) the bulk of the legal and accounting work has already been done. "We are inclined to be DIY people. But there was also an element of luck involved in our cheap entry," says chairman Ian Howie. At that time the stock exchange was getting worried about the sagging number of companies joining the USM, and agreed to waive its nine month rule, which states that the latest set of audited results must be no more than nine months old. Merrydown, which was just over the limit, was allowed to go ahead with little more than an updated Extel Card.

Four years later such low fees look extraordinary. Firms now seeking an introduction to the USM can expect to pay closer to £50,000.

At the other extreme is Microvitec who joined via an offer for sale which cost about £380,000. The company had taken the precaution of agreeing the costs with each of the firms involved in advance. In the event none exceeded their budget, and Microvitec felt that it had done well.

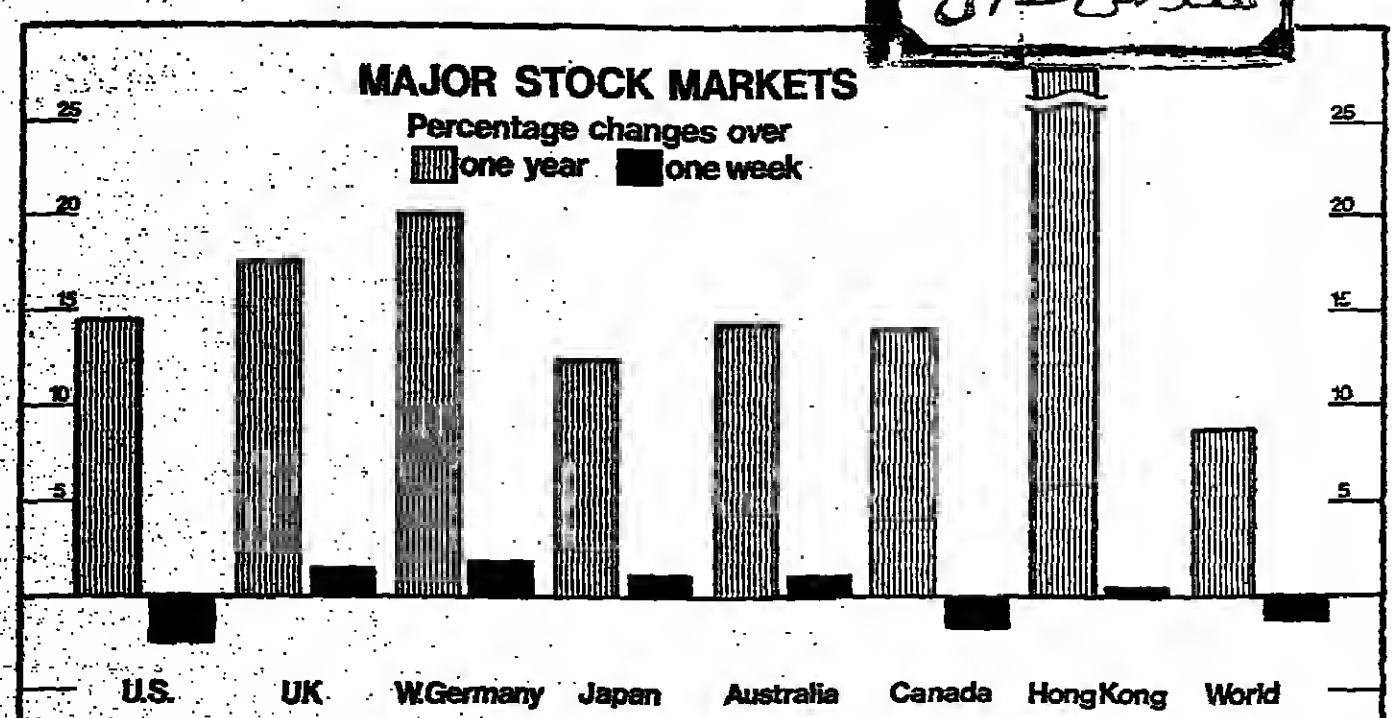
Other companies have been frustrated at the huge amount of seemingly unproductive work that goes into a USM quote, the great amount of time that it takes (between 3 and 9 months), and the unexpectedly high fees.

In spite of the fact that the shares sometimes jump to a large premium over the issue price as soon as dealings begin, companies seem reluctant to admit that their shares have been sold off too cheaply. Instead they point out how difficult it is to get the price right, and are willing to acknowledge the need of the underwriters to make a profit.

Lucy Kellaway

Company	Announcement due	Dividend (p)	Dividend (p)	Dividend (p)
Amber Investment Trust	Tuesday	3.0	5.4	4.0
Amber Trust	Tuesday	1.4	1.4	1.4
British Home Stores	Tuesday	1.0	1.0	1.0
Charterhouse PLC	Monday	0.3	0.5	0.5
City of Oxford Trust	Wednesday	2.0	4.1	2.5
Cive Discount Holdings	Tuesday	1.4	2.2	1.4
Cluff Oil	Wednesday	5.0	2.0	5.0
Colonial Group PLC	Thursday	2.2	5.3	2.5
Colonial Trust	Wednesday	1.0	1.0	1.0
European Finance Group	Wednesday	1.1	86.0	2.5
Executive Clothing	Tuesday	2.0	4.8	2.5
External Investments Trust	Tuesday	2.65	4.8	2.5
Garter South	Tuesday	0.15	—	0.02
G. T. Oiler Fund	Wednesday	0.15	—	—
Holt Johnson	Wednesday	2.5	5.76	

هنا من النهر



Prepare to meet 1990, says Sir Alistair

Mining

WHEN the near-term outlook is cloudy there is a lot to be said for looking further ahead, hopefully to blue skies. Mr Julian Ogilvie Thompson did it last week in his first annual statement as chairman of De Beers and now we have Sir Alistair Frame, who has just taken over the helm at Rio Tinto Zinc, doing it, too.

His sights are set on a much longer range, to the early 1990s in fact. By then, and in some instances sooner, "the capacity to supply most metals will be back in broad balance with demand for the first time since the early 1970s," he has said in the RTZ annual report this week.

Coming from a man who two years ago feared that overproduction in copper was an endemic disease, "a public plague" was mentioned from which the patient might never fully recover, this suggests a subtle change in thinking.

So does his further comment that because of the long lead time of anything up to 10 years for major new mines to reach the production stage, "decisions must be made within the next year or so for the next generation of successful mining projects."

Sir Alistair Frame is no starry-eyed optimist, but a down-to-earth Scottish engineer who did not come up the easy way. His comment that "the mining industry's longer term outlook is much brighter," is based on some sound reasoning. Firstly, demand for metals continues to grow even if prices are held in check by excess production capacity. Secondly, this excess capacity is being steadily eroded by the normal exhaustion of many existing mines while investment in new ones has dwindled to a trickle.

His words make a marked change to what we have been hearing in recent times from other majors in the mining industry, particularly in North America, where minds have been more concentrated on survival or, at best, the opening up of only the smaller good grade mineral deposits which can be turned to account quickly at relatively small cost.

Unlike many other natural resource groups RTZ with its wide spread of interests is still earning good money and is thus in a position to pick up some bargain offers of proven mining deposits.

Not as it were to considering starting off on major new ventures, but it is not going to leap and will expect to enter them on a partnership basis as it did back in the 1960s and 1970s. In the meantime, it intends to expand the industrial and oil and gas interests to further balance its activities.

As far as the group's earnings outlook for this year is concerned, the industrial interests should again do better but cannot be expected to maintain the pace of recent years, while conditions are expected to remain difficult in the energy sector although oil and gas interests "should continue to progress."

It is generally reckoned that at least some metal prices may improve this year and so, overall, RTZ should see a further rise in earnings and dividend. What remains to be seen is to what extent any further fall in the U.S. dollar will reduce these earnings when they are changed into sterling. For the time being the shares rate as a "hold" but maybe not a "buy."

While Sir Alistair has been confidently looking forward to the long term, some of the less fortunate North American mining groups have been generating a little more hope for the current year. To some extent this is based on the lower value of the U.S. dollar which points to rather better metal prices for them.

Amstar has reported a further loss of \$35.3m (\$29.2m) for the first quarter, but this is not so bad as the loss of \$53m before write-downs in the previous three months. Before tax and the crippling interest charges, an increased operating profit of \$23.2m has reversed last year's falling trend and the company hopes to repay a further \$500m debt by the end of next year. At end-1984 total debt was \$1.6bn.

Moving on to South Africa, the warning given here last week that some tough bargaining can be expected in the annual wage negotiations for both white and black mine-

Wall Street glimpses the noose

New York

POOR President Reagan. Only a month or so ago, he was being fêted like a hero by the New York Stock Exchange, graciously accepting the plaudits for the economic recovery which has lined Wall Street's pockets so abundantly. This week he is being blamed for all manner of ills. The market is suffering, we are told, partly because he seems to have lost his magic touch—an undeniable fact after the battering his public image has taken over his plans to visit the Bitburg War cemetery in West Germany.

If the President can blunder so badly over the organisation of a foreign trip, what hope has he of jostling Congress into compromise on the budget cuts everyone insists are now necessary?

Not much, says Wall Street, which is becoming increasingly obsessed by the "knock-on effect" theory—that is, that the Budget deficit is causing high funding costs, which in turn is attracting foreign money into the dollar, thus holding the U.S. currency up and causing much suffering and grief among uncompetitive U.S. corporations.

Economists have been taking some comfort from the decline of the dollar since the beginning of March, amounting to more than 16 per cent against sterling and over 11 per cent against the D-mark.

Even so, analysts this week have been showing signs of panic over their early year profits forecasts, scaling many of them back, progressively, despite several corporate predictions of a better second half. First Boston, for example, is now expecting a virtually flat profits performance for the current quarter.

This wave of pessimism, though by no means universal, hit the blue chip cyclical stocks particularly hard. Computer shares came under pressure, with digital equipment knocked below \$100, and IBM the bell-weather of bellweathers, trading steadily down; it has now lost well over \$12 from its peak of \$138, and is standing on a relatively modest price-earnings ratio of 12.

The motor company shares were hit for a similar reason. General Motors is trading almost \$20 below its 12 month peak of \$85, and at present levels has a p/e of 5 and a yield of 7.5 per cent. These are hardly growth stock ratios—significantly, they look very much like those currently being sported by Consolidated Edison, the electrical company which figures as a widows' and orphans' yield stock.

A less predictable depressant on prices was Wall Street's sudden reaction to fears of cancer-related legal action against the tobacco giants. In the past few months, the tobacco companies have been on most brokers' buy lists because they are not particularly vulnerable to foreign competition, and therefore have some "price flexibility" (Wall Streetese for saying they can put their prices up).

The cancer law suits scare has been around for some time, while the possibility that the tobacco companies could be hit for product liability is a long way down an extremely tortuous legal road. But there is nothing like the hangman's noose to concentrate the mind, and Wall Street has caught a glimpse of it because two suits are due to come up this summer.

The effect of this fright was pretty dramatic last Tuesday. Shares in Philip Morris fell by \$5 to \$55, while R.J. Reynolds also plunged by \$5 to \$77. While several brokers are still bullish enough to see these declines as a buy opportunity, Paine Webber downgraded the stocks from a buy to a hold.

The cumulative impact of this pressure on the leading stocks was to knock the Dow Jones Industrial Average back down to levels last seen when the January bull market was getting into its stride. On Monday and Wednesday, the plunge in the index was as big as anything seen since last November.

Wall Street would not hanker at it, of course, without its perennial optimists, and many brokers see this fall as necessary precursor to clear decks for a new assault on the 1,300 barrier—the stock market's equivalent to the North Face of the Eiger.

Yet it is worth pointing out that the decline would have been even deeper if it had not been for some exceptional activity in the industrial stocks. Atlantic Richfield's dramatic plan to cut its costs and drive up its share price with the combination of aggressive \$4bn share buy-back and increased dividend payments had the desired effect.

It carried the shares up around \$10 on the week, pushing the price \$14 above the level of only a fortnight ago. As a result the group is now valued by the market at around \$18, making it look substantially vulnerable to the Wall Street raiders than it was in the middle of last month, when market capitalisation stood just \$11.6bn.

Monday	1,259.72	-15
Tuesday	1,258.04	-16
Wednesday	1,242.05	-16
Thursday	1,242.27	+9

Terry Dodsworth

When to switch from green to amber

Toronto

THE GRADUAL retreat of Toronto share prices from the record levels reached on April 26 has reinforced an increasingly cautious mood among Canada's investment community. Philip Heitner, portfolio strategist for the securities firm Nesbitt Thomson Bingham, says he is advising stock market investors to switch "from green to amber."

Another respected market-watcher, Gerry Reid of Gardiner Watson, adds: "Our view has been for quite a long time that stocks are not all that cheap."

The downturn in share prices has so far been modest, with the TSE 300 composite index slipping by about 3 per cent in the past 10 days from its peak of 3,668. Furthermore, the brunt of the decline has been borne by a handful of sectors—gold mines, cigarette-makers (casualties of new legal threats by North American anti-smoking groups) and some high-tech companies.

If the analysts are right, the stagnation could spread. Although economists have recently revised upwards their estimates of Canada's 1985 growth rate (to a range of 3.4 per cent in real terms), the stock market may begin reflecting expectations of slower business growth in 1986.

The downward trend in Canadian interest rates since mid-1984 might be ending. Banks have lowered their prime lending rate from 13.5 per cent to 10.75 per cent in the past nine months, but the general view is that strong demand for funds from the Government, and the pull of U.S. financial markets, will prevent Canadian rates dropping much further this year.

Canadian corporate profits are still advancing fairly strongly but, judging by the performance of some blue-chip share prices, investors are looking further ahead. According to a recent survey by the Financial Post of Canada, net income

of 100 large public companies was on average 21 per cent higher in the first quarter of this year than in January-March 1984. First-quarter margins widened from 4.2 per cent to 4.8 per cent.

Northern Telecom, the telecommunications equipment manufacturer, lifted net income by 47 per cent in the first quarter, but its share price now languishes at around C\$46.50, well below its peak of C\$55. Steelmakers' share prices have also dropped back significantly. Other weak sectors have included transport equipment and cement producers.

On the other hand, investors' opinion of integrated oil companies and some financial institutions has remained high, providing much of the impetus for the TSE's advance earlier this year.

Despite the fall in world energy prices, analysts continue to recommend the shares of several Canadian oil companies. Texaco had no trouble in March finding buyers for 20 per cent of its Canadian subsidiary. The sale brought in almost half a billion dollars.

Rumours of a big oil find in Alberta doubled the share price of some junior oil companies during April, but the reaction of the oil sector to the Federal Government's new energy policy which includes tax cuts and decontrol of oil prices. Deregulation gives producers a higher return on oil discovered before 1981, accounting in some cases more than half of total output.

The new energy policy, especially good news for Do Petroleum, the debt-burdened Calgary oil and gas producer. Its share price has moved up by about 50 per cent since a debt rescheduling agreement was signed in February, and the company is going ahead with C\$100m international share offering, according to one of the underwriters, "there's a good demand for the issue."

adds, however, that the company will not raise the amount of the issue, describing it as a more "boasting" rather than a strict fund-raising exercise.

Bernard Sim

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Shares

YOU DON'T have to spend long at the Lomhro annual general meeting to know that you are in the company of enthusiasts.

In the packed ballroom of London's Grosvenor House Hotel, a month ago, 1,200 shareholders applauded wildly as the chairman, Sir Edward du Cann, chronicled Lomhro's year. They boomed and hooted as a single shareholder — the only dissenting voice — spoke up against the company's policies.

It seemed clear that Lomhro's shareholders were firmly in favour of its management, especially of its colourful chief executive, Tiny Rowland.

Financial institutions have often found the company, which Edward Heath once called "the unacceptable face of capitalism" too much to stomach. Why then have private investors bought Lomhro shares so eagerly?

"I read about it in the papers, and I like Tiny Rowland," said Elizabeth Allingham, who started investing when she was 18, in an era when you could not legally own shares until you were 21. She now owns shares

in more than 100 different companies. "I haven't met Mr Rowland," she says, "but I got a personal letter back when I wrote to him."

"It's the dividends and Mr Rowland," says Mike Roberts, an engineer who first bought Lomhro shares in 1975 and has added to his stake several times since. "It pays a damn good dividend and there's still capital appreciation."

The shares have doubled in value since Mike Roberts started buying. With Lomhro now paying a dividend of 8 per cent gross on its current share price, his total holding yields him a 13 per cent return on the original investment.

Despite the lack of dissent in the formal company meeting, shareholders were not all enthusiastic about Lomhro's drawn-out battle to take over the House of Fraser, with its flagship, Harrods.

"Thank God they didn't buy Harrods," said Henry Bellwood. "Where would they get the money from?"

He has bought and sold parcels of Lomhro shares for some years, looking for short term capital gains. He has held his present stake for only a few weeks, and expects not to keep it for many more.

Mike Roberts said: "I am a

fan of Mr Rowland but his logic is not always my logic. House of Fraser was a complete and utter nonsense."

Elizabeth Allingham backed the board all the way through. She says she was upset that Lomhro was obstructed by the Monopolies and Mergers Commission, when the winning bidders, the al Fayed brothers, of Egypt, were not. Even if she no longer thought the shares were good value, she would stick with the company.

A conglomerate as diverse as Lomhro has wide business interests and many of its customers have reinforced their business relationship by buying shares in the company.

"I used to do business with Pollards. They became something else and finally came into Lomhro," recalls Albert Slesinger. "That's how I ended up with Lomhro."

Michael Stevens was general manager of Moore Street Motors, a Volkswagen/Audi dealer, when Lomhro took over from Thomas Tilling the import franchise for these cars. "I thought, I fall by them, so let's buy some shares," he says, and remains loyal despite changing jobs.

"I would stay with them now, partly because of Mr Rowland — though he wasn't a factor when I originally

invested."

Close analysis of Lomhro's profits and turnover doesn't play much part in the decision for most shareholders. "Obviously you form an opinion on the figures," said one investor, "but it's impossible for an individual private shareholder to get very much enlightenment from a company balance sheet."

For most, a feeling for the style of the company seems to be more important. That is certainly the case with H. Heatley, a sprightly 83-year-old who might be called Lomhro's most convinced shareholder: he sold all his other holdings 10 years ago, and now owns nothing but Lomhro.

"They're go-getters, they're producers," he said. "I associated go-getting with myself. I was always more interested in making things than in the money at the end."

Heatley now owns 19,500 Lomhro shares, and although he is pleased when his dividends arrive, he takes little interest in price movements on the Stock Exchange. "I'm quite happy to hold my Lomhro till I smelt it."

Some names have been altered to protect the identity of shareholders.

George Graham

Full credit to the Co-op

Banking

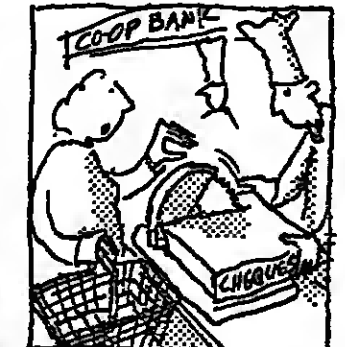
YOU CAN get a credit card from Marks and Spencer, and soon you will be able to cash a cheque at a Midland Bank outlet in Tesco; but what of the granddaddy of in-store banking, the Co-op Bank, which has been in the game for 60 years, and already has 4,000 outlets in stores?

The Co-op has been a full member of the banks' clearing system for 10 years now, but it still works in different ways, and offers different services to its banking customers.

Free banking for customers who remain in credit on their current accounts was a Co-op initiative — one that has been followed by such banks as the Royal Bank of Scotland, Yorkshire Bank and the Midland. With its Cheque and Save account, it became the first clearing bank to pay interest on credit balances in a current account.

On these pages two weeks ago, we showed the interest paid or charges deducted by various accounts for different sizes of average balance. The table showed the Co-op among the less attractive bargains, both for those who keep an average of £250 in their accounts but never dip below £100, and for those whose average balance is £1,000 but who are occasionally overdrawn.

The figures made no distinction between the two main Co-op accounts, the free current account and the interest-paying Cheque and Save. In fact, Save and Prosper — which compiled the table — used the Cheque and



Save tariff but reverted to the current account when the balance dipped into the red.

This shows the Co-op's service in the worst possible light, and highlights the need to choose the right bank account for your own needs.

In the first case, where your average balance is £250 you would be better off with the Co-op's ordinary current account. Your charges for six months of banking would then be nil, in common with several other banks, and not £15.00 as the table showed.

The £15 charge — a flat rate of £2.50 a month — is levied on the Cheque and Save. This account is quite unsuitable for those whose average balance is only £250, since it starts to pay interest only when your balance is over £500.

In the other example shown, where the average balance is £1,000 the Cheque and Save would be appropriate. Because this example dips into the red occasionally, Save and Prosper calculated the charges on it at £32.40 — the current account tariff of 36p per each transaction throughout the period — and did not credit interest on

balances. Cheque and Save is not designed for those who are going to run an overdraft, and the Co-op would normally convert your account to an ordinary current account if you were overdrawn.

The Co-op says it operates a safety net procedure to prevent this happening after occasional lapses. A £1 overdraft, as in our example, would be caught by this safety net, and the customer would benefit from interest totalling £27.82 after deducting the normal monthly charge of £2.50.

This net return would have put the Co-op account into third place behind the Save and Prosper Classic and the Bristol and West Moneylink accounts, instead of in 14th position.

There are two lessons to be drawn from this. First, make sure you pick the right bank account for your own needs — one that suits your pattern of income and spending. It is not worth opting for an interest-paying account, which will usually have a high monthly charge, if your normal bank balance will not produce enough interest to make it worthwhile.

Second, argue with your bank manager if you dip a few pounds into the red for a day or two, and he starts levying charges. There may be a safety net mechanism, as in this case. If there is not, managers usually have some discretion to waive charges for minor lapses. This tactic has succeeded at the TSB and the Midland, and could well work with other banks. Try it on yours.

George Graham



Punters' choice: Derby thrills — or tax-free profits from gold, cocoa or currencies bets

Budget blow for bookmakers

Futures

NIGEL LAWSON and his Treasury mandarins may not have realised it, but one of the less publicised changes in his recent Budget dealt a blow to those bookmakers who have been trying to move up-market into some of the more arcane regions of finance.

Until last month, if you wanted to play the commodity markets or the sterling-dollar exchange rate, the only sensible place to go was to a bookmaker. If you tried to do what the professionals do, by buying or selling futures contracts, the lion's share of any money you made would probably be snapped up by the taxman applying the dreaded Schedule D Case VI, of income tax. And if you suffered losses, they could not be offset against anything else.

By contrast, if you dressed up your deals in the legal form of a bet, all your profits would be tax-free. To meet the demand for such a service, three bookmakers started to take bets on everything from the price of gold or cocoa to a variety of currency rates. The most popular bets of all have been those on the FT Ordinary (30-share) index and other stock market indices.

In the Budget last March, however, the Chancellor announced that tax rules on dealing in commodity and financial futures would be liberalised. Since April 6, the profits of non-professional traders, after adjustment for inflation, have been subject only to Capital Gains Tax (CGT). Losses are offsettable against other capital gains.

This means that few small investors are likely ever to have to pay tax on the profits they make in the futures markets.

Firstly, they enjoy an annual exemption from CGT on the first £5,000 of their gains. Secondly, the gains on any positions held for at least 10 days are subject to the inflation adjustment provisions in the current Finance Bill. This means that if you hold open a futures position beyond the end of any month, your gain can be reduced (or loss increased) for CGT purposes by the rise, if any, in the Retail Price Index in that month.

Nevertheless, the bookmakers still offer advantages over the City's financial and commodity futures markets. In particular, they are geared more towards the little man. If, for example, you believe that the UK stock market is about to shoot up, and decide to buy a futures contract on the FTSE 100 index, the smallest amount you can deal in is equivalent, in terms of risk, to buying a portfolio of shares worth slightly over £30,000.

By contrast the smallest bet you can take on a stock market index is equivalent to buying only £3,000 to £6,000 worth of shares. The bookmakers are also generally more lenient in their demands for collateral from clients. As Robin Baldwin, of Phillips & Drew Futures, a futures broking firm, admits: "If I personally wanted to deal in futures, I would not do it here. I'd got to Ladbrokes."

So far, the bookmakers report little or no loss of business since the Budget. Stuart Wheeler, of the IG Index, which takes bets on the widest range of commodity futures contracts, says only one of his clients has been lured away by the futures markets by the tax changes. The City index, set up just over a year ago, offers bets on such exotica as the Hang Seng index and D-mark-dollar rate. It reports a com-

tinuing rise in its clientele since the Budget.

If you have sufficient wealth or sufficient nerve to take on the large contracts, the futures markets probably have the edge.

Dealing costs — the market spread and broker's commission — are only about half those of the betting services. Their charges are reflected in the spread between the price (or index number) at which you can take an up-bet and the price for a down-bet. For a bet on the 30-share index, the spread typically is five points.

Furthermore, if you want to hedge, say, a portfolio of U.S. shares against a fall in the dollar, or a portfolio of UK shares against a fall in the stock market index, a futures market position will avoid tax complications. This is because a capital gain on your futures contract should be matched by a capital loss on your share portfolio — vice versa. So no extra tax will have to be paid — or saved. If you hedge with a bet, you may still have to pay CGT on a gain in your share portfolio while suffering a non-deductible loss on the bet.

Roger Butler, of accountants Arthur Young McLellan Moores and chairman of the tax committee representing the futures industry, is critical of City stockbrokers for being slow to take advantage of the new rules for their private clients. "They should be telling clients how to hedge their risks," he says. "I can only hope that the Stock Exchange revolution will bring them into the 1980s like their U.S. counterparts."

Some telephone numbers: City Index: 01-283 3667. IG Index: 01-828 5699. Ladbrokes Index: 01-493 5281. Phillips & Drew Futures: 01-606 9661.

Clive Wolman

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4th May 1985

مكزمان الأصيل

FINANCE & THE FAMILY

Will British Aerospace take off?

INVESTORS have until next Friday to decide if they want to buy shares in the latest offering in the Government's privatisation programme. And many who did so well in the flotation of British Telecom last year will now be thinking about investing in the £550m British Aerospace issue.

With the government selling its remaining 48 per cent stake in the company—or 98.8m shares—and the company taking the opportunity to raise new funds with a one-for-four rights issue of 50m shares, there will be plenty of opportunity for private investors.

City institutions, employees and other shareholders have been allocated 76 per cent of the offering. The rest is on sale to the public.

Should investors buy the shares? BAE is no BT. The spectacular success of one government offering does not guarantee the result of the next. As the table shows, despite the Government's best intentions, not every privatisation has been successful.

The Government has steered clear of giving BT-style publicity to the BAE offer. Advertisements have been placed

Company	Date of sale	Issue price (pence)	Striking price	Current price (pence)
Amerham Intl	Feb 1982	142	—	331
Associated British Ports	Feb 1983	112	—	256
British Aerospace	Feb 1981	150	—	390
British Petroleum	Oct 1979	363	—	566
British Telecom	Nov 1984	50*	—	143*
Britoil	Nov 1982	215	215p	218
Cable and Wireless	Oct 1981	168	—	540
Enterprise Oil	Dec 1983	275	275p	—
Jaguar	June 1984	185	185p	196
— Part paid	July 1984	165	—	289

Source: Treasury

In broadsheet newspapers but not in the tabloids nor on television.

As in the BT issue, stockbrokers are getting special commissions for share sales. But the aim, in this company's words, is to reach the "sophisticated" private in-

vestors; that is, those already used to dealing in shares. As Wyn Ellis, who follows BAE for stockbroker James Capel, explains: "Obviously, they have been worried that the BT factor will make everybody think they will make lots of money out of British Aero-

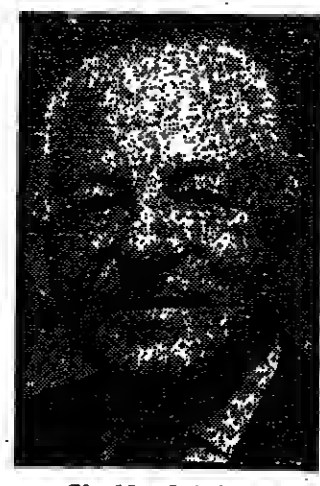
space." There are, indeed, sound reasons for thinking that there will be little chance of a killing for investors in BAE, at least in the short term. Unlike BT and most other government offerings, BAE is not a new issue. In pricing the shares at 375p, the Government and the company have been able to look to the existing stock market price as a good guide.

This means that, barring accidents, the shares are not likely to leap ahead once they reach the stock market.

Viewed as a long-term investment, BAE is in the business of making aircraft, missiles, defence and space equipment, which involves big risks and big potential rewards. In both civil and military markets, profits on a particular investment programme are generally made only years after the initial go-ahead decision. Sometimes, never.

Investors who decide to back BAE must stump up 200p a share on Friday. The balance will be payable by September 10.

Stefan Wagstyl



Sir Charles Clore

Tax havens and the sad tale of Clore offshore

CLIVE WOLMAN reports on how a simple mistake cost £67m

SIR CHARLES CLORE, who rarely put a foot wrong when building up his Sears Holdings retail and property empire, made a simple mistake in his final years which has now cost his heirs £67m in tax, according to an out-of-court deal struck this week.

The deal, which was little more than a surrender to the demands of the Inland Revenue, highlights several pitfalls for would-be tax avoiders who, since the removal of exchange controls in 1979, have found it easy to invest money in the Channel Islands and other overseas havens.

Clore decided in 1976, three years before his death, to move himself and his money abroad to avoid Capital Transfer Tax (CTT) on his estate, which is now worth £123m. To show he was no longer domiciled in the UK, he had to pick a single alternative country as his home, but he kept changing his mind between Monaco, France, Israel and the UK — as his friends were obliged to tell the High Court last autumn.

His case was also weakened by his continuing business, social, sporting and medical visits to the UK, although he could have got away with these if he had been content to settle in a single overseas home.

If Clore had established he had a foreign domicile, he would have avoided CTT on all his assets outside the UK. With this objective in mind, he transferred much of his wealth to a Jersey trust and company, however, the unfavourable deal struck by his heirs and trustees about the efficacy of using the Channel Islands as a tax haven, even though wealthy and non-so-wealthy UK investors have sent billions of pounds of their money there since 1979.

After the court decided in October that Clore had retained his UK domicile, the Inland Revenue tried once more to seize his Jersey-based assets. Normally, the Jersey courts are obliged to send UK and other taxmen packing when they appear with such requests but, on this occasion, the application was routed through the Official Solicitor, who could innocently ask for no more than the repayment of a debt to Clore's estate in the UK — even though, in practice, the money would have gone straight into the black hole in Somerset House.

No one knows whether the Jersey courts would have accepted this claim, but the deal struck this week suggests that the balance of forces were in favour of the Inland Revenue. Those involved in the case say that one important factor in the Revenue's favour was that, if the case went to appeal, it would ultimately be decided by the judicial committee of the Privy Council, whose members are mainly British judges.

The link between the Jersey courts and the Privy Council indicates that the Channel Islands are not as independent from the UK as some of the more remote tax havens. The dressing-up of a Revenue claim in the guise of the Official Solicitor shows how the link can be exploited.

Clore's third mistake was to have invested so much of his money, via his Jersey trust and company, back in the UK. This allowed his aggrieved son, who was left out of his will, and the UK Revenue to win injunctions which froze the assets here. Clore would have been better advised on all counts to have switched the underlying assets of his Jersey company into countries with more lenient tax rules for both domiciled and non-domiciled.

Perhaps Clore's biggest mistake was to become so obsessed with avoiding tax that his last few years were, according to court evidence, restless, lonely and unhappy.

His greatest tragedy was that he did not survive another four years. In 1983, all charitable contributions were exempted from CTT. And Clore would have been better advised to have switched the whole of his estate to charity.

CHESS SOLUTION
Solution to Position No. 566
Yes. The game ended 1 Nxp, QxR; 2 QxP ch, K-R2; 3 QxR ch, 4 Nxp; 5 K-R3 ch, KxQ; 6 Nxp ch, BxN; 7 P-R4 and Black, now three pawns down, resigned.

Lloyds woos investors who hate all the paperwork

New products

THE IDEA comes from the U.S. You put all your finances—bank account, deposit account, investments and all—in one place, and the result is a complete financial management programme.

But does it travel? The response for Allied Hambro, the first British group to offer this kind of package, was muted, but things could change now that one of the big High Street banks, Lloyds, is to enter the market with its Asset Management Service.

Lloyds says that it is not just importing an American package and adding a few British details. It has conducted some lengthy market research to find out what features customers wanted. The end result is a system that could prove a boon to those who rate the paperwork of running their finances, and are prepared to pay someone else to do it for them.

The Lloyds programme closely resembles the Allied Financial Management Programme, in many respects. You lodge all your shares, unit trusts and other investments with the bank, which then collects dividends on your behalf and pays them into a deposit account. It

will issue you with regular statements, including a summary of transactions and interest at the end of the year that you can use for your tax returns.

Both Lloyds and Allied will manage your investments for you on a discretionary basis. Or, if you prefer, they will simply administer the portfolio, keeping the deeds and doing the paperwork while you or your broker make the investment decisions.

What Lloyds brings to the service is its branch network. You can carry on running your ordinary current account just as before. With Allied you don't have a local branch, although you can withdraw cash from a variety of sources and will soon be able to use the Link cash machine network.

Lloyds sets up an investment account alongside your current account, and sweeps money back and forth to ensure a minimum remains in the current account while the rest earns interest in the investment account.

This means you will have the full flexibility of an ordinary bank account, but it does deprive you of the chance of earning interest on some of your money — and Lloyds sets a minimum of £300 to be kept in the current account. Allied has only a single account so you can earn interest on all your cash, though you may have to pay charges for some of your transactions.

Both Lloyds and Allied assign special account executives to look after you, and in both cases these are separated from the sales force: so you should not find them trying to sell you Lloyds Bank unit trusts or Allied Hambro Life Insurance.

You will, of course, have to pay for the convenience. Lloyds will charge a higher basic annual fee, but for many of the extras — such as investment management — it looks cheaper. But Allied points out that its charges are integrated with the interest it pays. This is more tax efficient; they will be deducted from your gross income, not from your post-tax income.

George Graham

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

	Quoted rate %	30%	45%	60%	Frequency of payment	Tax	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	7.0	7.12	5.69	4.26	HY	1	—	0-7
High interest cheque	9.0	9.21	7.44	5.57	Q	1	2,500 min.	0
3-month term	8.5625	8.84	7.07	5.29	Q	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	8.25	8.42	6.73	5.04	HY	1	1,250,000	0
High interest access	9.75	9.75	7.79	5.84	Y	1	500 min.	0
90-day	10.00	10.25	8.19	6.14	HY	1	500 min.	90
Premium	10.25	10.45	8.51	6.33	Q	1	10,000 min.	96
NATIONAL SAVINGS								
Investment account	12.75	8.93	7.01	5.10	Y	2	1,50,000	30
Income bonds	12.75	9.46	7.44	5.41	M	2	2,000-50,000	90
30th issue	8.85	8.85	8.85	8.85	n.a.	2	25,000	14
Yearly plan	9.28	9.28	9.28	9.28	n.a.	2	20-100/month	8
General extension	9.51	9.51	9.51	9.51	Y	2	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	9.69	9.92	7.93	5.94	HY	1	2,500 min.	7
Schroder Wagg	9.16	9.55	7.63	5.72	M	1	2,500 min.	0
Provincial Trust	9.72	10.16	8.12	6.08	M	1	1,800 min.	0
BRITISH GOVT. STOCKS‡								
10% Treasury 1987	11.51	7.82	5.99	4.16	HY	4	—	0
11% Exchequer 1990	11.45	7.98	6.26	4.53	HY	4	—	0
10% Exchequer 1995	11.36	8.01	6.34	4.68	HY	4	—	0
9% Treasury 1987	9.40	8.26	7.70	7.13	HY	4	—	0
9% Treasury 1989	9.24	8.28	7.76	7.23	HY	4	—	0
Index-linked 1988†	4.40	3.76	3.44	3.12	HY	2/4	—	0

*Lloyds Bank. †Halifax. ‡Held for five years. §Source: Phillips and Drew. ¶Assumes current inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax. M Monthly, Q Quarterly, HY Half yearly, Y Yearly.

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Prices and yields will appear daily in the Financial Times and other newspapers.

You should remember that the price of units and the income from them can go down as well as up and that past performance is no guarantee of the future.

As the Trust aims to provide capital growth, all net income earned by the Trust is retained within the fund and is not distributed to unitholders. This accumulation of income is reflected in the unit price and is not applied to the purchase of further units in the Trust. Investors will receive a tax voucher annually, together with a Managers' Report starting on 1st November 1985. An interim investment report will be sent in May each year, commencing 1st May 1986.

To invest in Barclays Unicorn Special Situations Trust please use the subscription form below.



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WITH AN EXCELLENT RECORD.

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The British economy continues to improve. Inflation is still relatively low and the Chancellor is predicting growth this year of 3.5%.



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The Barclays Unicorn Limited, 352 Rensford Road, London E7 9JB. Tel: 01-394 3544.

FOR INVESTORS (in full) Mr, Mrs, Miss

ADDRESS

I/We wish to invest (minimum £1,000) £ in units of Barclays Unicorn Special Situations Trust and enclose a cheque for this amount. I/We understand that units will be issued to me/us on the date of receipt of this application. A 1% bonus in the form of extra units will be given if you invest up to £1,999 or a 2% bonus if you invest £2,000 or more. In the case of joint applications all must sign.

SIGNATURE

Regular Savings

Please send me details of your regular savings plan.



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Year to 31st January	Dividend per share	Asset Value per share	Share price
1981	2.52p	77.4p	57p
1982	2.60p	87.6p	60p
1983	2.75p	117.1p	79p
1984	2.80p	144.2p	100p
1985	3.00p	165.1p	113p

Asset Values per share shown with prior charges deducted at market.

Distribution of Equity Portfolio			
U.K.	45.6%	Japan	9.0%
North America	34.3%	Others	11.1%

Copies of the Report and Financial Statements may be obtained from the Secretary, Robert Fleming Services Limited, P & O Building, 122 Leadenhall Street, London EC3V 4QR.



MONTAGU

Accumulator unit prices (in pence)

at 31/5/85

at 31/5/85

at 31/5/85

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GLOBAL STRATEGY FUND LTD

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A threat from the taxman

IN spite of major tax concessions to encourage employee share ownership, many employees and directors still face large income tax bills when they exercise share options granted by their employers.

The problems arise for those granted options under schemes which did not have the approval of the Inland Revenue. Unapproved schemes remained popular until last year because the two earlier types of approved scheme, set up in 1973 and 1980, were too restrictive to satisfy particularly executives and senior employees.

However, the 1984 Finance Act has made possible more flexible and generous schemes. The legislation did nothing, however, for the many employees still holding options under unapproved schemes. They continue to languish under a severe tax regime, and many will lose their only chance of improving matters unless they take action within the next month.

Share options

The core of the problem is Section 186 of the 1970 Taxes Act which applies to all employee options except for those granted under approved schemes. It imposes an income tax charge on any profits made by an employee on the exercise of an option. The tax becomes due immediately, irrespective of whether or not the employee sells the shares.

Suppose, for example, that in 1979 an employee was granted an option over 10,000 shares in his company at the then market price of £1 per share. Over the last six years, the share price has risen to £3, and he now wishes to exercise the option. His notional gain on exercise will be £2 per share, a total gain of £20,000.

This will be taxed as income at his marginal rate. Under an approved scheme, the employee pays not income tax but capital gains tax and that only when he sells the shares. There have been various attempts by employees to wriggle out of Section 186, most of them unsuccessful. The recurrent theme has been to arrange things so that the employee can pocket the profits from holding the option without actually exercising it.

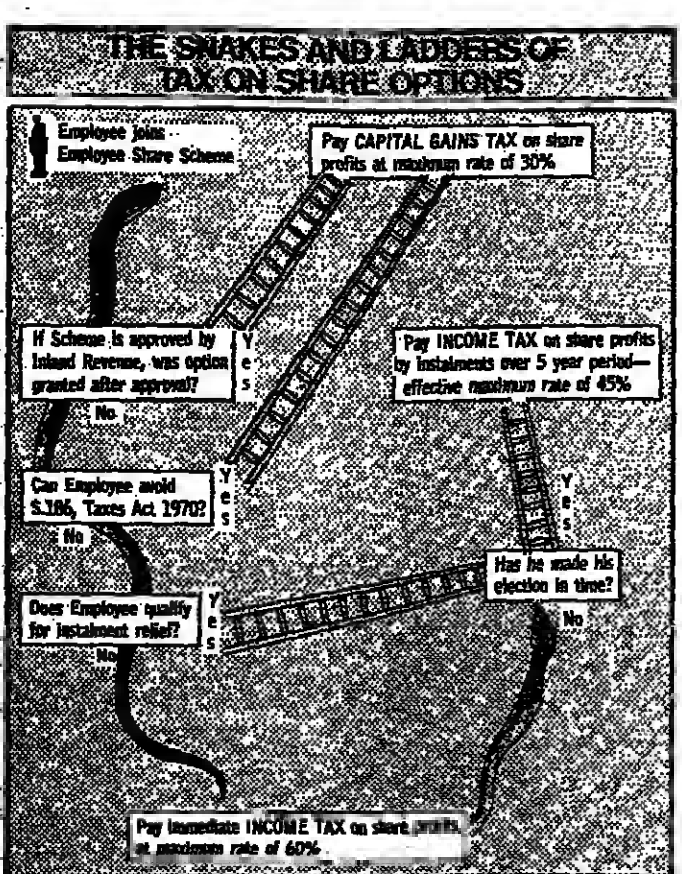
But all such schemes are vulnerable to the court's new anti-tax avoidance stance. Indeed, the view of the Inland Revenue is that if an optionholder takes any positive step at all to realise a gain, he will be trapped by Section 186. Apparently, the only secure escape route is if an optionholder is paid to allow his option to lapse by doing absolutely nothing. But only in exceptional circumstances will there be another party who will be prepared to make such a payment.

Employees frustrated by Section 186 may be encouraged if their company decides to convert its unapproved scheme into an approved scheme under the 1984 Finance Act.

This conversion can usually be implemented without too much difficulty but it will be no real help for original optionholders. The benefits of belonging to an approved scheme—including exemption from Section 186—are only conferred on participants who are granted options after the scheme has been approved.

Existing optionholders can be given new approved options but these will be at the market price of the shares in their company. In a case where the employee is trying to avoid being clobbered under Section 186, this will inevitably be far higher than the price when the unapproved options were granted.

There is a silver lining. Normally, a tax bill under Section 186 can be paid by five equal annual instalments. Since no interest is charged on the un-



paid balance, this can substantially reduce the effective rate of tax. For a top earner, for example, if interest rates are about 10 per cent the rate is cut from 60 per cent to about 45 per cent.

Instalment relief is only available on options granted before April 6, 1984 though the date on which the option is exercised is immaterial. The price payable by the employee must be not less than the market value of the shares on the date the option was granted and there must be at least £250 of tax to pay.

Most important, the taxpayer must give written notice to his Inspector of Taxes that he wishes to pay by instalments. This election must be made within 60 days of the end of the tax year in which the option was exercised. So, for options exercised in the tax year which ended on April 5, 1985, notice has to be given by not later than June 4, 1985. This is a strictly enforced deadline and since the election is certain to be worth-while the best advice is to make the election as soon as you have exercised the option.

If you are thinking of waiting for your tax assessment to make sure you qualify for relief, think again. When the assessment arrives it will almost certainly be too late to elect. But if instead you elect in advance and then find you don't qualify, your election will simply be ignored.

David Cohen is a London solicitor.

Golf club bonds

By our Legal Staff

I have been a member of a golf club for a great number of years. The ground rent of the club is £1,200 per annum, and the club has security of tenure until 2010.

The club approached the freeholders, who have agreed terms for a new lease for 125 years at a peppercorn rent (the cost is to be £145,000) in exchange for the surrender of our present lease.

An extraordinary general meeting is to be held, for approval of the members to accept this offer.

The club intends raising the money by the sale of membership bonds (approximately £350 each); all playing members are expected to purchase at least one. These could be redeemed upon death or resignation in chronological order by sale of like bonds to new members. If the EGM approves the purchase of a new lease, can the requirement of all members to purchase a bond be made enforceable?

It is most likely that the purchase of the bonds cannot be made enforceable. You should examine the constitution (Rules) of the Club. It would be eminently desirable for the Club to retain a solicitor to implement any scheme such as you describe.

Three sets of rules

I should be glad if you would kindly advise me briefly as to the Revenue's attitude to "zero rated" bonds, which must be surely the ultimate in "washed" bonds.

If, however, the subject defines a brief reply, then please indicate to me the best source(s) of information on the taxation of such bonds, in the hands of a person resident and normally resident in the United Kingdom.

There are three sets of rules for zero-coupon bonds.

For bonds issued by companies on or after March 14, 1984 (except stripped-coupon bonds), a sale attracts (a) an income tax assessment on the accrued discount for the period of ownership (on the curved-line compound basis) and (b) either a CGT assessment (subject to the annual exempt amount) or an allowable loss.

A tenant's business

By our Legal Staff

For stripped-coupon bonds, the Chancellor proposes an annual income tax charge, as you probably saw in the FT budget reports, with either a CGT gain or an allowable loss on sale. For bonds issued by other bodies (for example governments) at any time, and bonds issued by companies on or before March 13, 1984, a sale attracts (a) an income tax assessment on the excess (if any) of the sale price over the purchase price and (b) either a CGT assessment (subject to the annual exempt amount) or an allowable loss.

The intricate rules are not adequately explained in any publication we have seen, except in relation to UK company issues. We recommend that anyone contemplating investment in foreign bonds should seek professional guidance through the pitfalls.

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M'lord banks on his bottles

sight into the USSR today. You will have to do without the coffee and cakes of Budapest, unless you have taste buds with a high boredom level, but Leningrad does have its charm.

challenge is to find anything worth buying), all are worthwhile just to know that you have seen there and seen it. It is a place of morbid fascination rather than pleasure. The

St Basil's, one of Moscow's best-known sights

In the case of Romania an introduction has come in the unlikely form of Count Dracula, whose gruesome goings-on in Transylvania and Wallachia have prompted a consistent and growing flow of visitors from the UK. Intriguingly enough the UK tour specialist for the

ture a bit of the spine chilling feeling of those old pictures, catch a glimpse of Bran Castle, the stuff that Hammer Movies used to be made of. Cast aside for the moment the fact that Dracula may have been a visitor but be never actually lived there.

Albena is a good family resort. Balchik a little more scenic but the attractions tend to be more those of an escape from the conventional borders of the Costas than any real added advantages.

Arthur Sandles

Flat has decided to enter the fray with an attractive estate car version of the Regata (itself a booted saloon derived from the Strada hatchback) called the Weekend. There are two models. The 100 Super Weekend

a top speed, it is said, of 112 mph and a 0-60 mph acceleration time of 10 seconds. I can vouch for its ability to cruise very quietly on the motorway, to handle tautly on winding roads, and carry up to five people on plumply upholstered seats. Precise

Stuart Marshall

1

IN MOST European countries, estate cars are considered to be rather down market. To own one is to suggest that you carry goods or the tools of a trade during the week, your family at the weekend. But in Britain the very term estate car or shooting brake carries with it connotations of broad acres

Flat has decided to enter the fray with an attractive estate car version of the Regata (itself a booted saloon derived from the Strada hatchback) called the Weekend. There are two models. The 100 Super Weekend

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DIVERSIONS

All the highlights and high notes...



Celia Baker

THE chief challenge presented by an invitation to a musical evening in the grounds of a grand English house is what on earth to wear. To a foreigner the prevailing tribal customs have an endearing eccentric charm. Where I grew up picnics meant heat and biscuit-brown earth and no problems about what to wear—swimsuits and pinnies were standard gear. Here, the popular prejudice seems to favour some nod in the direction of glamour and summer and yet, if the occasion is to be enjoyed rather than endured, some measure of warmth is needed.

Not that this is easy to find. I am always amazed at the gap between the fashion designer's views of our summer and the more usual reality—a stranger from Mars who visited our stores between early February and mid-July would understandably deduce that this was a tropical island where lazy, hazy days were spent idly in tiny bikinis and flimsy sleeveless dresses. Yet the British summer seems more hazardous from the (female) sartorial point of view than the winter—friends have this strange notion that it's warm and arrange dances in unheated barns and marquees.

For those who like to hedge their bets, the combination of an irresistibly pretty flimsy summer dress and a really warm cover-up would seem to deal with most eventualities. If, for instance, you are seduced by Elizabeth and David Emanuel's ravishingly pretty flower-printed pure silk chiffon ball-gowns you could invest in one of those (very English, very country house) and then either wear your grandmother's fur wrap (should you be so lucky) or else search for what chic New Yorkers call a "throw."

S. Fisher of 32-33 Burlington Arcade, London, W1, has some double cashmere fitted capes in a range of colours including white, red, black, navy, blue and burgundy at £225 each (except for white, which, incidentally is £275) plus £210. One of those should see you through all those summer events like Ascot, Henley, Wimbledon, where officially it is hot and the sun shines and where in fact you nearly always freeze.

The cardigan, of course, is the perfect garment for the English weather—it lends itself to being taken on and off to suit the vagaries of the day—and Jean Muir, with her brilliantly coloured cashmere kimono, has produced the most elegant version I have seen of that normally benighted garment. Wear under it black from top to toe and you could go anywhere.

Picnics, posh clothes and Puccini—it's as English as clotted cream. For fans and first-timers alike, here are some pointers to whet the appetite.



Lucia van der Post

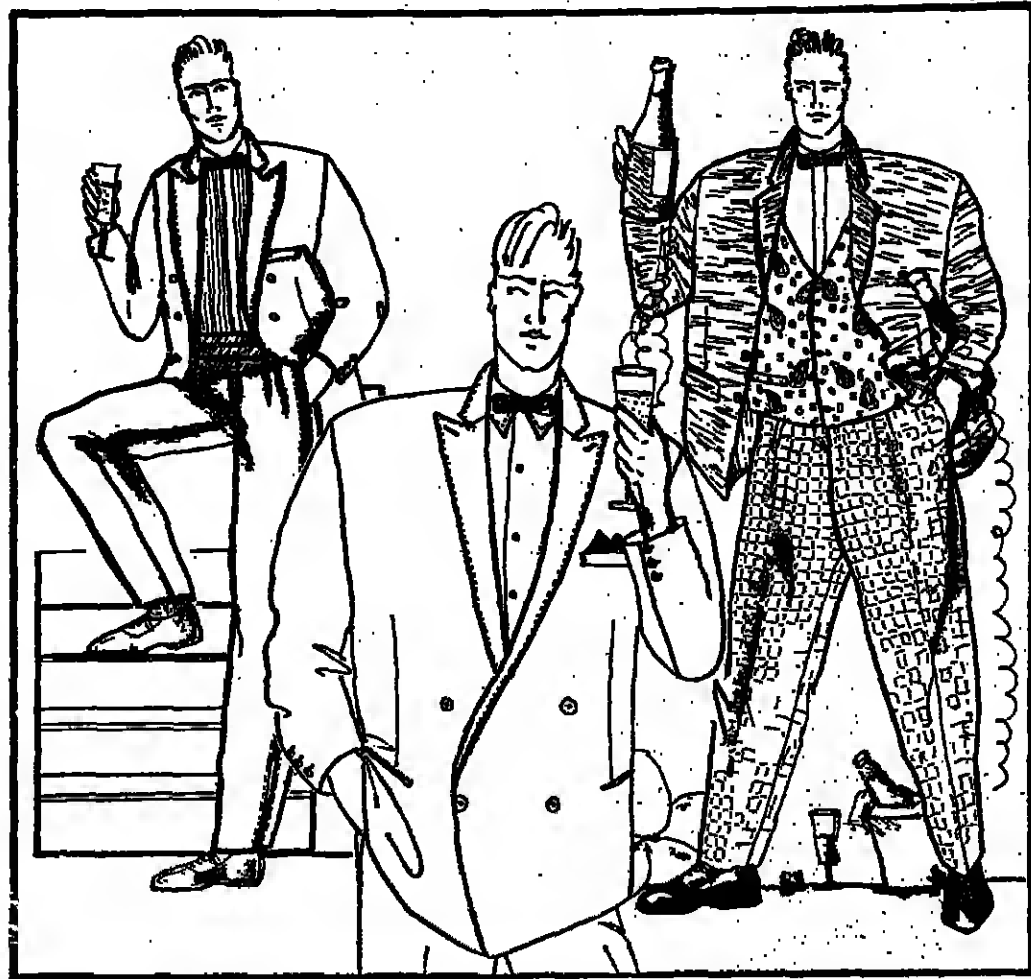
A designer who seems to understand that warmth and elegance can be quite good friends is Jacques Azagury, whose bright blue creation for the Princess of Wales stunned the Florentines last week. Two of his solutions are sketched here—both are indubitably glamorous and both offer enough covering to keep even the chilliest of mortals relatively warm.

Those who haven't lashed out on evening wear for some time may need to say down, take in the prices. A David and Elizabeth Emanuel off-the-peg ballgown goes these days for £550, while Jacques Azagury's creations are both over £800. Men, too, may need to take out a mini-loan. Men's evening wear is becoming ever more interesting—there is no longer any need to feel that there is nothing but a trip to Moss Bros to look forward to. Shops

like Harvey Nichols and Browns of South Molton Street, London W1, always have a good selection of evening wear that is unmistakably masculine but fun and lively as well. If you have Glynedebourne, conventional evenings and city dinners on your agenda then Cerruti is one of the best designers to look out for—he seems to know how to combine the rigours of establishment demands with a touch of

imagination. He uses beautiful fabrics, the lightest of light wools, with a very classic cut so that his clothes should last and last. If you are invited to a jollier party you could add a touch of his marvellous silk cummerbunds or a bright brocade waistcoat (perhaps the one by the new design group Culture Shock, sketched here), to perk things up.

A Jaeger pure silk suit, in white if you can afford the cleaning bills and are in extrovert mood, or in navy blue if you're more cautious, could take you to everything but the most formal of evening events. If the sort of parties that you go to are attended by the likes of David Bowie and what Browns discreetly call "people in the creative business," you could cause quite a stir. A Culture Shock pure linen version of an evening look. Their clothes may at first sight seem startling but look closer and you will see that the beautiful quality of the fabrics is allied with high quality tailoring.



Julia Findlay

FOR ANY formal event, whether it be a city dinner or Glynedebourne, this fine wool suit (left) by Cerruti combines a traditional look with interesting detail. Much lighter to wear (and therefore ideal for summer) than the usual Barthelemy or heavy wool dinner jackets, the suit is £425, the fine cotton pleated evening shirt is £60, the black silk bow tie, £15. The grey, black and white silk cummerbund is an optional extra £50. All are available from Browns, 29-37, South Molton Street, London W1.

A PURE white silk suit (centre) by Jaeger. It looks light and summery, yet formal and elegant. £260. Wear it with a silk shirt (in white, cream or mid-blue), £59. FOR THOSE who are in the "creative business" or are of a sartorially adventurous nature, the most exciting new label for men is Culture Shock. They use wonderful fabrics, tailored impeccably, but the whole look is undoubtedly unorthodox. Sketched here (right) is a pure linen suit—the jacket and trousers in tooting colours, (dark green and black) but different patterns. The suit is £410. All from Browns of South Molton Street, London W1. Reversible pure, £130—it can be worn with the Culture Shock suit or used to perk up a conventional dinner suit.

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Country notes

Thoughts on seeing the first cuckoo

I HAVE not yet heard a cuckoo although one came and perched outside my window the other day, took a brief look around and then cleared off. Very wisely, of course, because I should not think its potential victims are yet ready to nest up here. In fact, for the past few weeks the small birds which used to congregate round the bird table have been away. I do, of course, still feed birds on the farm. Quite inadvertently, though, I grow broad beans for seed and first the rooks and now the pheasants are enjoying themselves digging down the stem of the emerging plant and pulling up the seed. Some of the seed beans are very big and the pernickety creatures are apt to leave them lying on the surface. The rooks can be removed by bird-scissors but the pheasants, now that the season is over, have no fear of man; even a gun fired at a distance merely makes them lift their heads.

A well-known landowner once told me that he always shot cock pheasants, whatever the time of year. There were too many of them, anyway, and they needed thinning out because of the dangers of in-breeding. Since anyone who saw him at it was probably in his employment, there was little danger of being prosecuted for shooting out of season. The other evening I saw 30 pheasants on this particular field; and 20 were cock birds who strutted around imperiously, even when I drove the car at them. Where they had been living in the shooting season, I have no idea. Pigeons are still fairly hungry but again like rooks, they can be driven away by noise and also by plastic bags hung on sticks. I had not believed this until I examined a crop of turnips grown for seed by my foreman. He showed me that those protected in this way had come through the winter undamaged whereas the rest had been eaten well down.

Although pigeons are very interested in the brassicas, like oil seed rape, they don't seem to like them late in April and are now turning their attention to the emerging clovers in the pastures; and the peas. Because of the lateness of the spring I doubt if they are having much luck on the pastures which, in my case, are almost as bare as in Australia during its summer. They are at least green but have shown any real growth only on one day in April when the temperature went up to more than 70°F. I walked round the farm in shirtsleeves and gave order; that the expensive extra feed we were giving the sheep should be slowed down and then stopped; but it was a false message and they quickly went back on full winter rations. Even late in April, the trees remained as bare as very early in March; those of the oak and ash, appeared to think it still was January. Even the chestnuts had their leaves only a quarter out and seemed

stuck at that point. There is an old saying that if the oak is in leaf, before the ash there will be only a splash—that is, a dry summer—but if the ash is out first, there will be a soak. Like many sayings, I believe it to be founded on the ramblings of some ancient tumbled by too much mead or whatever they drank when the English countryside was young. There is also a saying in which I do believe—that blackthorn blossom heralds a return to winter. That certainly has been true this time.

There are many others. One of my employees, a noted pessimist, used to talk a lot about a "cow parsley winter," which used to happen about mid-summer. It only underlines the fact that we have a most unreliable climate and that of us who farm and garden successfully, in spite of its aberrations, must be quite exceptional people.

John Cherrington

Education

Outposts for the eternal student

MENTION THE National Institute of Adult Continuing Education to most people, and they probably think of evening classes in bleak school rooms on a rainy night. But a glance through the NIACE brochure on study breaks, particularly at the individual ads for residential centres where courses are held, quickly contradicts this image. It was dispelled altogether for me when I went on a short bridge course at a 16th century rectory at Fittleworth, in the Sussex countryside. A mellow L-shaped building, it is set in the river valley just north of Arundel. A worn red brick path winds past a lawn to the large glass porch, haven for wellies and macs. The rear looks over a rambling garden with a croquet lawn and swimming pool. Inside, everything is what could be expected of an old country rectory—shabby chintz, well-worn furniture, not quite describable as antique, lots of pictures and well-thumbed books. There is even a large family. Graham and Brenda Salmon bought the place more than 20 years ago. Originally they set out to provide a week-end meeting place for young people. The project expanded and they introduced courses aimed at a wider and older public. Now two daughters and their husbands share in the work. All have useful qualifications, ranging through electronics, occupational therapy, confectionery, and landscape architecture. Students are of all ages, groups, come from overseas as well as England, and from all walks of life. Those I met

formed a cross-section of the middle-aged middle-class. They ranged from an ex-diplomat and a former naval officer, plus wives, through a local GP's wife to a gaggle of lively Welsh ladies. All are rapidly inducted into the practice of making their own beds, clearing and laying tables and washing up after using the tea and coffee facilities in the students' kitchen—bar—meeting area. This helps keep down costs. Fittleworth, unlike all but one of the other residential centres, is not financed by a local authority. Certainly, several students commented on the cost-cutting, particularly in the heating and food. Meals did display a thorough grasp of portion control together with ingenuity at using inexpensive ingredients. As with most residential catering, the best meals were breakfast with its non-greasy bacon and egg plus hot rolls and afternoon tea with delicious home-made jam and cake. The 21 bedrooms range from those with oak beams and lattice windows in the old part of the building, to attractive little boxes in the recent extension. Most have wash basins, and a few have their own baths.

Prices cover tuition and full board, including morning coffee and afternoon tea. I paid £79 (plus VAT) for a single room with basin, for a course starting with Monday supper followed by a class, and ending after Friday breakfast. The centre have a few free hours each day, an opportunity to explore the countryside. The Sussex Downs are only 20 minutes drive away. Beyond, on the coast, are Littlehampton and Chichester. There are local state homes, such as Penworth, Upark and Penhurst. And just wandering along the lanes and tracks immediately around Fittleworth is a delight. When courses are run to capacity, there are 35 to 40 students. The overspill are put up in the village. The aim is to run three courses at a time, or more, one very popular with another less so. In the week I was there, for example, there was a large bridge group, and a smaller one for a crafts course, generally known as the marbling course. Its end product was sheets of paper prettily coloured which could be used on folio covers and so on. Many of the courses are art and craft based, requiring close

repair, china restoration, press flowers, embroidery and painting. The outdoor courses include golf, bird-study, gardens, English churches, and so on. The bar-nosed are not neglected either, with courses on computing for profit and how to enjoy stocks and shares. This sort of mix is typical of centres listed in the NIACE booklet of which around 40 are scattered over England and Wales. Altogether, about 1,700 different courses are on offer.

The names of the tutors at Fittleworth are not well-known. But if they have anything like the ability of our bridge tutor to get across a subject, along with cheery informality, the students are well-served. He was also flexible enough to weld together a group which included a novice like myself and old campaigners with years behind them of cue-bidding and grand slams.

Students swapped recommendations for other NIACE-listed centres. All seemed to think they had good value, not least from Fittleworth. For a short relatively inexpensive break in a busy schedule, and a sop to the puritan feeling that spare time should not be frittered away, NIACE-listed courses would be hard to better. Further information of NIACE, 19B De Montfort Street, Leicester. Tel: 0533 551451; summer brochures on residential short courses, are 95p inc post and packing. The Old Rectory, Fittleworth, Pulborough, West Sussex. Tel: 079 882306.

Mary Rutter

A detailed black and white illustration of a picnic basket and its contents. The basket is open, revealing a variety of items including a large bottle, a smaller bottle, a glass, a plate with food, a bowl, and a small box. The basket is set on a patterned cloth.

(£35) and a soft mohair rug (£25.50). The hand-painted glasses are £6.50 each, the tinted champagne goblets £4.70 each. Flower-strewn Luneville china isn't cheap but, of course, doubles for everyday use: £12.85 for the small plates with the intricate fretwork edges. Large bowls are £8.70 each. The green-handled cutlery is £2 for a set of 24 pieces. The clear, tinted acrylic ice-bucket is £4.80.

Or quails' eggs which, for touch of chic, might be accompanied by tiny rye bread and smoked salmon sandwiches.

rather than the usual plain bread and butter.

If I were worried about the weather, I might opt for dishes of piping hot Borsch or Bullsho Soup (good beef consommé with a slug of vodka).

The soft red fruits of summer are tailor-made for stylish finales. Classic Summer Pudding seems more irresistible than ever when each diner is presented with his or her own little pudding. (To make miniature summer puddings use individual soufflé dishes or large cookie cutters as moulds. Transport the puddings in the dishes and unmould them immediately before serving.)

Even more spectacular is dish of Frosted Redcurrant (dip fat bunches of the jewel-like fruit into unbeaten egg white, roll them in sugar and leave to dry). Serve the shapely yet sugary fruit by itself or with Petites Suisses for cream and smooth contrast.

Philippa Davenport

headed by Ch Montelena 77 with Meursault Charmes 73 at the fifth place.

In fact I do not think that the competition was altogether fair, because fine clarets develop more slowly than the rich, often high-in-alcohol, Californian Cabernets. This applies also to their full-flavoured, engaging oaky Chardonnays. Nevertheless, the tasting showed that the quality and interesting character of California wines, and there was a time in the following years when at any gathering of wine enthusiasts here in Britain, one was likely to be confronted, blind or otherwise, with one of its wineries' products. Californian wines, once associated just with such brands as Big Tree "burgundy," have arrived.

So too has now come a massive tome on every aspect of California wine: *The Book of California Wine* (Sligo University, California Press, Sotheby Publications, £37.50). Edited by the distinguished Professor Maynard Amerine and the well-known wine writer Doris Muscatine and Bob Thompson, it contains 53 articles by 44 contributors.

It begins with the history, which started in about 1770

the fathers made wine for sacramental use.

mental and secular use; and the stage employed was originally

The Spanish Mission variety of grapes was introduced into California in 1769. This phase ended soon after 1833 when the Mexican Government prohibited the exportation of wine. Then, ruling California, the United States government deprived the Franciscans of a few of their temporal activities. The next important stage started in 1881 when the Hunziker and Agoston Barasthy brought back from Europe 195,000 selected vines. Though none survived a wino impetus was given to wine-making in this state. Then until they were expelled in the 1890s, Chinese labourers, at \$8 a month and board, cleared ground, planted vineyards and dug cellars that can be seen today.

The next significant event in the record of often reckless, unsuccessful but dedicated enterprise was Prohibition from 1919 to 1933. Curiously enough wine-making actually increased, owing to wine home-making, that was subject to permit; and by 1925 45,000 of these had been granted in California alone. In the 1920s official estimates put average production at 11 1/2m gallons, and a peak in 1928 of 154m gallons compared with pre-war consumption of only 53m gallons. Yet although some firms, including Christian Brothers and Beaulieu survived by producing the permitted altar wines, there was no real recovery in California wine-making until after World War Two, and for fine wine only in the 1960s.

Edmund Penning-Rowse

All the grief and the anger of war

POEMS OF THE SECOND WORLD WAR: THE OASIS SELECTION
Editor-in-chief Victor Selwyn
Dent £12.00 (cased), £4.95 (paperback), 416 pages.

The Great War of 1914-18 differed from the Second World War in at least five respects. First, it began in confidence and unrealistic euphoria. Secondly, as it wore on, a general feeling grew among junior officers and other ranks that it was futile and that the game was not worth the candle. Thirdly, the suffering and casualties among our troops were far worse than in World War Two. Fourthly, the public at home remained largely unaware of this at the time, and lastly, conscription was not introduced until late in the war.

These factors affected the poetry of the Great War in two ways. First, a clear trend runs from the initial patriotic, pro-war poetry of Hardy, Kipling and Brooke, through the authenticity and accepting pathos of Rosenberg and Edward Thomas, to the horrified and bitter protest of Graves, Sassoon and Owen. Secondly, 1914-18 war poetry is largely "public" rather than "personal" poetry. (Or perhaps the personal became, by its very nature, "public.") Initially, poets

wanted to write patriotic poetry for the public; but latterly, their successors felt with increasing desperation and anger that people at home must be made to realise the truth.

Nothing like this applied in 1939-45, since the war was universally accepted as justified and necessary, the casualties and avaricious misery (for Britain) were less; everyone knew what was going on and the public at home suffered deprivation and casualties as well as the troops. Apart from increasing war-weariness, the public attitude remained consistently one of resigned determination. Consequently, no common preoccupations or trends can be traced in the poetry, there is no protest (only grief and anger) and far less emphasis on horror.

Second World War poems are almost entirely "personal". Also, unlike Hardy and Kipling, the established poets — Eliot, Day Lewis, Spender, MacNeice and Auden (who ran away) did not "go in for" war poetry. None of them appears in this anthology, which is, as one would expect (though through no fault of the editors) widely discursive in nature. Nevertheless, apart from the known and honourable dead, such as Sidney Keyes, Alan Lewis and Keith Douglas, it includes such

respected poets as Gavin Ewart, Vernon Scannell, Roy Campbell, Lawrence Durrell, G. S. Fraser, Roy Fuller, F. T. Prince and Kingsley Amis. Deliberately, the widest possible net has been hung. Excluding "Anonymous", there are 203 contributors (including 10 women) and 295 poems altogether — an average of just under one and a half poems per contributor. Two contributors only are represented by four poems and 11 by three. What conclusion do you draw? You are right. There cannot be so many poets of quality. Much of the contents is poor, its only merit authenticity.

Could the anthology have been better? It depends, as C. E. M. Joad used to say, on what you mean by "better". Personally, I would prefer a book of this length (329 pages) to have consisted of work by no more than about 20 or 30 poets of some merit; in which case we should, of course, have got more of each. However, this is not the editors' intention, which is expressed, by General Sir John Hackett in his Foreword, as being to exemplify "the cry from the heart that is in a wrong from quite ordinary people by what happens to them in war, a cry that... would never have been heard... in peace."

This is all very well, but a critic cannot avoid the plain question, "Are the poems themselves any good?" Here one might fairly draw a comparison with *Hymns Ancient and Modern*. Some of them are very good indeed — a few, perhaps, destined to last — for the editors have taken care to include the acknowledged best, such as Keith Douglas's "Vergil's Dream" and F. T. Prince's "Soldiers Bathing". And there are others, from relatively unknown hands, which movingly and effectively succeed in fulfilling that function without which, as Philip Larkin has said, a poem can hardly be said to exist in a practical sense at all; namely, of re-creating, for the reader, what the poet originally felt. Among these I am glad to have found for the first time Eugene D. Morgan's "A Prisoner Dies", John Jarman's "Alamein", R. N. Curry's "Unseen Fire", Norman Cameron's "Punishment Enough", Sean Jennett's "Mahoney" and four or five more.

But as in *Hymns Ancient and Modern*, there is too much drudgery. The editors — self-admittedly as I understand their Introduction have set out to be too kind to too many people. This is certainly one way of serving

Phoebus Apollo, but it is not his own way. He is — and ought to be — a hard, discriminating master. Also it seems wrong to include, in the same book with F. T. Prince, Keith Douglas and Vernon Scannell, stuff on the lines of "There was me and 'ole Bert in the Naaf, Arin' a couple of heers," etc. (There's a lot of this sub-Kipling. Bert by all means; but should he not have his own, separate book?) The arrangement by sections, subtitled "1939-40", "The Middle East", "The Home Front", "Air", "Sea", etc., doesn't really contribute anything to the understanding or enjoyment of readers more than 40 years on. A poem should stand in its own right, self-sufficient and self-communicating (like Collins's "How Sleep the Brave," which may or may not have been suggested by the battle of Falkirk). Why does it matter now, in the transcendent light of the poem itself?

This is an interesting book, a book worth having, a book consisting of about 20 per cent good poems. It certainly has one excellent and unusual merit: since so many of the poets are unknown, readers will be compelled to make up their own minds.

Richard Adams

Bill Brandt's photograph of Alan Lewis who was killed in Burma in 1944. He is one of the poets included in a new anthology of verse written during world war two.

Among the grown-ups with Alice Faye and Craven A

MRS HENDERSON AND OTHER STORIES
By Francis Wyndham
Cape, £8.50
160 pages.

I WISH THIS WAR WERE OVER
By Diana O'Hair
Chatto and Windus, £8.95
278 pages.

Amazingly, except for some stories written between the ages of 17 and 21, Mrs Henderson and other stories is Francis Wyndham's first fiction. I say "amazingly" because the writing is so fluent, confident and well-organised that it seems like the outcome of long practice. Of course it is. An advertisement writer, but fiction suits his turn of phrase, and particular sort of imagination, the way he interprets action and sees people in this or that setting.

The five stories flow into one another; the longest belongs with two others (same

ROUBLES IN WORDS, KOPEKS IN FIGURES, AND OTHER STORIES
By Vasily Shukshin
Translated from the Russian by Natasha Ward and David Iltis
Marion Boyars, £8.50.

THE BREAD OF EXILE
By Karen Gershon
Gollancz, £8.95
184 pages.

characters and places) so that two-thirds of the book is almost a novella, covering the doings of a single family over several decades. The last story is (unsuccessfully, I feel) fantastic; well, slightly so at the end, and the delicate realism of the rest won't accommodate fantasy. But the others, simple-looking enough to swallow easily, intricate in effect, are all of a piece, times and social setting suggested more by the style itself, the words chosen and of course the dialogue than by description or the hefty use of hard

names and artefacts. The very first sentence shows this: "Henderson's people lived in London." That "people" sets it just where it is, in a prep school in the 1930s, and that, more than Alice Faye films or Craven A cigarettes or Mrs Henderson's crepe de chine clothes, puts us where we are meant to be.

What is called "the crippling cocoon of embarrassed reserve" is examined in various situations: the adolescent's dismay at school at being asked out by a boy the wrong age whose parents are neighbours of his at home; the horror of dealing with, or of writing, letters of condolence; over-eager telephone callers and how to escape them. The surface is light but its undertones are serious. What comes across above all is the personality of Wyndham's characters, their looks but — much more — their effect, their presence.

For total contrast, in subject matter and in style, there's *Roubles in words, kopeks in figures*, with an introduction by Yevusthenko, plain tales from

the Russian countryside that say a lot more than their plainness at first suggests, and though not overtly political, considered subversive by the authorities in the writer's short lifetime. Film director and actor as well as writer, he seems to have made a great impact on Soviet people, since tens of thousands attended his funeral in 1974, and 180,000 wrote to his family about him. Diana O'Hair's *I Wish This War Were Over* is a very attractive American novel set in 1944, with a lot of unexplained impulsiveness, which is appealing, and overflows from content to style, to what the narrator Helen gets up to. For instance, she stabs her lover with some nail-scissors.

Her mother is an alcoholic, beautiful, sexy, impossible. In their left-wing-activist family she and her sister have looked after her like a child since her father was killed in the Spanish Civil War. Finally they have enough and pack her off from California to Washington, where, though increasingly decrepit, she still attracts men.

Like them, one is torn between tenderness and exasperation, a feeling marvelously aroused by the writing. On the way to rescue this helpless charmer, Helen meets one of her mother's ex-lovers on the train, another charmer and left-wing activist, and their affair runs parallel with the mother's story. It's sad and exact yet timeless: wartime America in the background, but what counts is the human heart. An enjoyable book, intelligent, funny and heartfelt.

A close friend of mine was a "transport child" — one of the Jewish children put on trains in Germany, Austria and Czechoslovakia in the late 1930s and sent abroad to total strangers and strangers. As she talked a great deal about those early days in Britain, Karen Gershon's *The Bread of Exile* has, for me, a weird familiarity. In this autobiographical novel, Inge, her brother David (unfortunately named Adolf) and Rudi the friend they make on the journey, are bright, even brilliant youngsters from professional families whose teens are

spent as servants and labourers but who keep in almost panicky contact with their only contacts their value.

Bitter indeed is the bread they eat in their first English years, and if Inge is tough (that's putting it mildly), small wonder. Their identity, for one thing, takes knocks at every change in their circumstances: Inge becomes Jill and David, David even the glamorous Sebastian whom Inge loves becomes Bill because Sebastian — doesn't promote matings in the RAF. And they lose not just their names but a double set of cultural identities — their Jewishness, and their Germanness. Homeless in the deepest sense, they cling to the idea of a Jewish homeland, and even that seems to recede politically ever further, in exile everything is strange and wrong, from milk in tea to crucifixes and even attempts at kindness. To me it all rings poignantly true, and shame at our national crassness is my main reaction to this strong, close-textured, disturbing novel.

Isabel Quigly

Companionable compendium

THE OXFORD COMPANION TO ENGLISH LITERATURE
Edited by Margaret Drabble
Oxford, £15.00
1155 pages.

Nothing reflects taste and fashion so well as a reference book constantly in use. Social historians of the future will have illuminating fun comparing this new edition of *The Oxford Companion to English Literature* (the fifth) with the original one edited by Sir Paul Harvey in 1933. In her Preface, the present editor, Margaret Drabble, explains that only a fifth of Harvey's entries have been retained, they include the many he gave on the work of Walter Scott which, models of their kind, she had not the heart to tamper with. The new editor confesses to economising on allusions, particularly classical ones, but says she has in most other respects pursued "the original policy of Harvey and his publishers, perhaps more closely than some would have done in my place."

This policy was to compile "a useful companion" for "ordinary everyday readers." It is an aim which the book in front of me fulfils pretty well, bearing in mind that many more of those readers are, or will once have been, students of English at a university than in the 1930s. Let me begin with the entry on Harvey himself. He rates almost half a column, about 10 lines less than Gabriel Harvey, the Elizabethan, but the same space as William Harvey the circulation of the blood man. We learn that in addition to the editing of the Oxford Companions to Eng. Lit., Classical Lit. and French Lit. Harvey was a scholar and a diplomat. He died in 1948 and "the first stages of his distinguished career were watched over with interest by H. James and Lady Gregory, both friends who had known him since boyhood." An asterisk above a name means it is the subject of a separate entry. What the Harvey entry does not tell you — and why should it? — is that according to Leon Edel, Henry James was so impressed by Harvey's hearing when he was a boy, that he used him possibly for the young hero in *The Turn of the Screw*. Has the Companion now passed, some may ask, from the hands of little Miles to those of the governess?

This idle fancy led me to turn next to James's ghostly tale and to find an admirable summary of it. Acres of controversy are neatly packed into the conclusion: it is left to the reader to decide whether these ghosts, hearing when he was a boy, are one else in the story or whether they are simply the hysterical fantasies of the young governess. James himself described his

story as a trap for the unwary. The governess makes allusions to Fielding's *Amelia* and, Mrs Radcliffe's *The Mysteries of Udolpho*. Here again the Companion comes up with all we need to know about these two novels. When the governess questions little Flora at one point, the child turns her eyes away, as if the question were "as irrelevant, or at any rate as impersonal as Mrs Marcell's. Now who the devil was Mrs Marcell? Let's ask the Companion. Dead silence. Hooley, we have caught it out! Mrs Jane Marcell (1790-1858) wrote textbooks in the form of conversations which were much used by Victorian governesses. Her *Conversations on Political Economy* (1816) was highly regarded by Macaulay.

The range of contemporary authors has been considerably extended. There is a long entry for Paul Scott but none for J. D. Scott; Edna O'Brien and Flann O'Brien are in but Kate O'Brien is not; among novelists Kingsley Amis is in but Richard Adams is not. Among biographers Michael Holroyd is in but Michael Meyer is out. Richard Cobb makes it; Noel Annan and Frank Kermode do not. John Stewart Collis is in but Marjorie Collis only rates a mention; in his brother's entry, Desmond McCarthy is in; Raymond Mortimer and John Raymond are not. Stephen Potter is in; but Julian Maclaren-Ross is out (not even an honourable mention in the Anthony Powell entry). Marie Stopes, yes, Charles Stross, no. Charles Morgan gets short shrift, and Weller Allen does not get any shrift at all. One could continue in this vein indefinitely but I repeat, it is useful, and it will be much used.

Anthony Curtis

Young writers

Ted Hughes, the poet laureate, was one of the judges for the 1984 W. H. Smith Young Writers Competition. The award-winning entries chosen by him and his fellow judges, chaired by Sir Jack Longland, have just been published in *Young Writers—26th Year* (Heinemann Educational Books, £2.95). Prizes worth more than £4,000 went to children aged between five and 16.

An attractive feature of the paperback book is a series of illustrations drawn by fellow-pupils of the winners. There are 63 in all and their subject-matter ranges from teachers, inevitably, to butterflies and washing-machines. Evidence of widespread talent abounds, and is well up to the standard of previous years.

Godfrey Hodgson

Bonar Law, the Tory leader, that he would deprecate a reversal to "ordinary party controversy."

Much of this not very orderly book concentrates on his work on foreign and defence policy and, in particular, the formation of the Committee of Imperial Defence which, it is claimed here, was a forerunner of the cabinet secretariat. Some of the material is new. Certainly it shows that Balfour had a formidable grasp of foreign affairs and of the machinery of government.

What comes out most, however, is how the Tory Party was always quarrelling. As Prime Minister Balfour was set by Joseph Chamberlain to over tariff reform. In opposition he seemed to prefer Lloyd George to Bonar Law. How the notion ever arose that the Tories' secret weapon is loyalty is a mystery.

Malcolm Rutherford

Victims of the American Dream

THE AIRMAN AND THE CARPENTER: THE LINDBERGH CASE AND THE FRAMING OF RICHARD HAUPTMANN
By Ludovic Kennedy
Collins £12.95
437 pages.

They were both victims, in the end. Richard Hauptmann died in the electric chair, for a crime he did not commit.

Charles Lindbergh merely faded away like an old soldier. He had been an authentic national hero, and might have been a national leader. Instead, he turned into a querulous, rich old man, who allowed the Nazis to play on his vanity, and lent the residual panache of his name to sad, defeatist Right-wing causes like the isolationist America First committee.

There was more to the similarity than that, though. A certain nagging, counterpoint adds intriguing harmonies to this stark tale of justice miscarried and denied. Each was the incarnation of one version of the national myth.

Lindbergh was a Swedish immigrant's grandson from the Minnesota backwoods. He went straight from the daredevil strid of the barnstorming pilots to ticker-tape parades down Broadway, to Buckingham Palace and marriage to the daughter of the senior partner in the House of Morgan.

Hauptmann was a young man Europe had no use for. He was, as a matter of fact, the sort of young man that the *Freikorps* and the *Waffen SS* were recruited from: under-educated, energetic, a front-line machine gunner turned *Windverweiger*

and petty thief who had enough determination to stay away three times before he reached the land of opportunity, and enough drive to use the opportunity when he got his hands on it.

Richard Hauptmann worked as a carpenter, married a loyal German girl — she is still loyal, 50 years after his execution — bought a little house in the upper Bronx, and started to make and to save good money. Unlike Lindbergh, he had a son he adored. Lindbergh's son was kidnapped and, either before or after he had paid over a \$50,000 ransom, murdered. Hauptmann's had luck too another form.

But for that one stroke of ill fortune, he was just the kind of man, sharp and stubborn, basically decent but not above cutting a corner, who has prospered in thousands and tens of thousands in business in New York over the past half century.

The had luck — and here, too, the last left behind in Hauptmann may have played a part — to the fact that he teamed with a crook: a business partner called Isidor Fisch who systematically combed all the fellow German immigrants of his acquaintance including Hauptmann.

Fisch went off to Germany on holiday owing Hauptmann several thousand dollars and was inconsiderate enough to die there, left behind in Hauptmann's house a packet of nearly \$15,000 in bills that came from the ransom Lindbergh paid for his child. Hauptmann thought he would pay himself what was owed to him, and began to use the money.

Both men had wives whom they loved, and sons whom they adored. Both wives are still alive.



Charles Lindbergh

Anne Morrow Lindbergh went on to win some fame as a socialite poet and diarist. Anna Hauptmann could only claim to have survived, sharing a bed with her child, doing one shift in a bakery by day and another as an office-cleaner at night. Two facets of the American experience.

The State of New Jersey, after due and protracted ceremony, put 2,000 volts of current through one young father, on the grounds that he had kidnapped and murdered the son of the other.

There never was any evidence of any substance against Hauptmann, as Ludovic Kennedy tells the story, other than the ransom money found in his house, which Hauptmann could not explain, until it was too late, because of the dubious circumstances in which he had acquired it.

The case was a sinister mish-mash of lies, misunderstandings and fantasies piled up by

chance, hysteria, exhibitionism and the desperate need for police and prosecutors, in the case of the century, to get their man.

Hauptmann was a victim not only of coincidence, but also of the strange anti-immigrant phobia which lies so close under the surface of American life — strange, because the immigrant is at once the generic hero of national mythology and the instinctive scapegoat when things go wrong.

In this atmosphere, the fact that Hauptmann never, for one moment admitted guilt, not even when — these were the days of the "third degree" — the policeman had beaten him all over his body with a hammer, was taken, not as raising the slightest doubt about his guilt, but as an inexplicable peculiarity.

The trial was a public circus, in which the journalists behaved as heavy as the police and the prosecutors. Only the governor of New Jersey, Harold Hoffman, sensed that a terrible injustice was being done.

Ludovic Kennedy has written three previous books about miscarriages of justice, and he says he never meant to do another. His interest in the case was aroused by the chance experience of seeing Hauptmann's widow interviewed on television.

I find his argument for Hauptmann's innocence utterly compelling. This is the painful story of a man who was punished beyond all proportion for a small sin of greed. Ludovic Kennedy has told it clearly, with insight but without false sentiment.

The case was a sinister mish-mash of lies, misunderstandings and fantasies piled up by

BOOKS OF THE MONTH

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BALFOUR, INTELLECTUAL STATESMAN
by Rudolph F. Mackay
Oxford, £19.50
388 pages.

Arthur Balfour held cabinet rank for a total of 27 years; longer than Liverpool, Palmerston, Gladstone or Winston Churchill. Although his government was overthrown by the Liberals, Balfour was defeated in the Liberal landslide of 1906 and he resigned as party leader in 1911, he was still being canvassed as a possible Prime Minister as late as 1922. Yet that was not quite how he started out. He shone neither at Eton nor at Cambridge. He liked playing tennis, conversation, debating and family life — with

he never married. One of his uncles was Lord Salisbury, who put him into politics.

Even then his political career was not assured. He became Leader of the House of Commons and was hounded by the Conservatives for his lack of enthusiasm for almost anything except games. Suddenly, however, politics became competitive like tennis. Rudolph F. Mackay suggests that it was the surprising Liberal victory in 1880 that made Balfour realise that the political scene could be interesting, even a mental challenge.

Like his uncle, he was always a Conservative. Balfour's wish (note the partner) had ever wished to bring about another state of affairs to what at present exists. He replied: "I am a Conservative. I wish to maintain existing institutions."

He was also an intellectual; hence the title of this book. His reading as well as his contacts

were wide. In 1885 he wrote a note commending the "intellecual force, consistency, command of reasoning in general and of economic reasoning in particular" of Karl Marx.

He could be very perceptive, both about his own party and others. One of his first reactions to the landslide in 1906 was that in the end it would lead to the break-up of the Liberal Party, which was indeed what happened. The longer-term significance of the 1906 result was the rise of the Labour Party.

When he resigned the leadership, he said: "A slower brain would often be welcome to the party as a whole — someone who did not see all the factors in a situation."

Balfour probably did see all the factors most of the time. He remained in politics, kept in touch with Churchill, Asquith and Lloyd George for whom he developed a great admiration, and was an essential member of the wartime coalition. In 1918 he told

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